ESTABLISHED 1839

MAY 6 1949

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 169 Number 4800 New York, N. Y., Thursday, May 5, 1949 Price 30 Cents a Copy

Business Education For Free Enterprise

By ASA S. KNOWLES*

Vice-President, University Development, Cornell University

Stressing urgency of developing business leaders who believe in free enterprise and possess broad knowledge, prominent educator warns of danger of taking for granted our political liberties. Holds business training has reached professional status, and cites business education plan.

I would like to outline briefly some of the problems faced today in our democratic society—some of the problems of business education with which you are all familiar, problems faced by business educators today and the instructional responsibilities which they entail.

Asa S. Knowles

The democratic society which we know we often call "The American Way of Life." A vital ingredient of the American Way of Life is "Free Enterprise." The present day stature of our country is a result of this free enterprise. Ours is an economy in

(Continued on page 36)

*An address by Dr. Knowles before the Eastern Business Teachers Association, New York City, April 14, 1949.

Outlook for Business, Banking And Money Rates

By RAYMOND RODGERS*

Professor of Banking, New York University

Dr. Rodgers reviews international and national economic developments and, though predicting there is nothing in current readjustments which portends serious business depression, warns if producers follow policy of closing down plants or reducing production instead of lowering prices, large unemployment will result, and government may be forced to step in. Holds price declines are not out of hand and our credit structure is fundamentally sound.

Once upon a time, banking was a very direct and fairly simple business. You loaned money to a member of your local community; you kept close watch of the use of the funds you placed at his disposal; you brought him in on the carpet and "explained" things if he got "out of line"; and, if that didn't salvage the situation, you sent for the sheriff! In those days of happy memory, banking was much more personal — you were dealing with real people, mostly your neighbors. Banking was, also, much more tangible—the underlying factors in each situation could be clearly seen by any banker worthy of the name.

Raymond Rodgers

How different it is today?

Now, you are subject to world-wide political and economic forces which cannot be understood, much less controlled. You have to try to evaluate basic forces which are intangible and, too frequently,

(Continued on page 33)

*An address by Dr. Rodgers at the Economic Meeting of the Peoples First National Bank and Trust Company, Pittsburgh, Pa., April 27, 1949.

Experiences of a Planned Society

By JOHN JEWKES*

Professor Economic Organization, Oxford University

British economist points out those looking for the benefits from the "maternal state" are to be found in all parties and countries, and among all social groups. Declares recent European experience abroad is convincing Europeans that planned economy must inevitably lead to greater insecurity and chaos. Concludes before we neurotically pursue unattainable tidiness in a real workaday world, we must demand the state refrain from embarking on new tasks until it has evidenced capacity to perform capably its old tasks and duties.

It was, I think, Mr. Winston Churchill himself who once remarked that no good citizen ever criticises his own government outside his own country. That rule seems to me to be a good one. And I do not tonight intend to infringe it. Fortunately, in what I have to say, there will be no need for me to do so. For the controversy regarding state economic planning now runs right across the normal political boundaries. Those who believe that the state is a more effective, juster and more far-sighted agent for the production and distribution of goods and services—that is to say those who believe in the maternal state—are to be found in all parties.

John Jewkes

In the past half-century we have been subject to one of those strange waves of opinion which

(Continued on page 30)

*An address by Professor Jewkes before the Economic Club of New York, April 28, 1949.

EDITORIAL

As We See It

Some Things We Can All Wish For

It appears to be a growing habit of defeated Republican candidates for the Presidency — and, for that matter, the only living ex-President who also is a Republican defeated in his last campaign for that high office—to come forward from time to time with a simple truth plainly stated which tends to make one wonder if they were not made of better stuff than appeared at the time the public eye was focused upon them.

The latest one of these gentlemen to place the American people in his debt is Alf M. Landon, who made an address the other day in Topeka. Here the former Governor of Kansas turned the light on the so-called "Welfare State," and made a remark or two about how Washington could best help the business outlook. Here, in part, is what he said:

"For the immediate present, I think the greatest things that could happen to business for prosperity in America would be for Congress to adjourn.

"And second, for both the Congress and our local governments to go back to the good old American custom of deciding which must have priority in public appropriations

(Continued on page 32)

The Outlook for Natural Gas Industry

By JOSEPH P. CROSBY*

Head, Utility Department, Bear, Stearns & Co., Members, New York Stock Exchange

Utility expert holds, notwithstanding recent large growth of natural gas industry, its major expansion still lies ahead. Points out natural gas is a premium fuel not only because of its relative economy, but also because of its cleanliness, its superior efficiency, and its low installation cost. Also sees expanded use of natural gas as raw material in chemical industry.

Many people think of the use of natural gas as a relatively new development in the public utility field. Actually its use is quite old, with the first well in this country having been completed in New York State in 1821 and the first pipeline in Pennsylvania in 1872.

Joseph P. Crosby

The first known use of natural gas was some 2,000 years ago in China where it was piped through bamboo for light and heat.

What is relatively new in the natural gas industry is the change in economic factors as the result of the last war. Of these, the substantial rise in the cost of heating by competing fuels—coal and fuel oil—is the most important, with improvements in the technique of long distance large-scale pipeline transmission, the residential building boom, and the high level of business activity also contributing to the present favorable economic position of the industry.

Notwithstanding the large growth which the industry has had in the past 15 years, its major expansion still appears to lie ahead. Sales of gas by utility companies increased 1.5 trillion cubic feet in the 12 years between 1935 and 1947 and a recent survey of the National Security Resources Board estimates that in the five years ending 1952 sales will increase another 1.4 trillion cubic feet, or approximately 55%. This report further points out that the above estimate of utility sales in 1952 is limited by the availability of pipe and that even then important potential markets will be subject to curtailments and restrictions. A further indication of the probable growth is an estimate by Mr. DeGolyer of DeGolyer & McNaughton, well-known petroleum geologists and engineers, to the effect that the volume of marketed gas ten years hence will be double that of today.

Present Size of Industry

To understand what this future growth will mean it is necessary to look at the present size of the natural gas industry. At the end of 1948, total miles of utility mains (approximately 251,000 miles) exceeded total mileage of all United States railroads by some 17,000 miles. Sales of natural gas by utilities in 1947 amounted to about 2.5 trillion cubic feet and total marketed production of gas (including the petroleum and carbon black industries, field use, etc.) amounted to about 4.4 trillion cubic feet. In 1947 natural gas accounted for 13.7% of total United States energy consumption. Total assets of natural gas utility companies at the end of 1947 were estimated at $4.6 billion and during 1948 approximately $630 million was spent in expansion.

The most important economic factor causing this hugh expansion of the natural gas industry has been the change in the relative prices of fuels which has occurred during and since the last war. Between 1939 and the summer of 1948, the prices for bituminous coal increased 79%, anthracite 71%, No. 2 fuel oil 80%, whereas the price of natural gas declined 10%. In order to obtain a true picture of the relative costs of fuel for heating purposes, it is necessary to adjust the prices to an equivalent BTU basis and also to apply a heat utilization or boiler efficiency factor, which is the percentage of the available heat which is put to effective use. Obviously, utilization factors vary with different types of equipment, different types of coal and with the individual in hand-fired furnaces. Recent studies, however, indicate efficiency in the neighborhood of 75-80% for natural gas, 70-75% for oil, 55-60% for stoker fired coal and 45-55% for hand fired coal furnaces.

Using the Bureau of Labor Statistics average prices for various fuels as of mid-1948 (which cover most important cities in the country) and adjusting for these utilization factors results as follows. For a million BTU, anthracite and bituminous coal run about $1.05-$1.30, No. 2 fuel oil around $1.30, and natural gas about 75c. It is apparent that even with some softening recently in coal and fuel oil prices, a decline of 40-50% would be necessary before the price advantage of natural gas would be seriously affected. In this connection, this cost advantage is not limited to certain sections of the country where high coal or oil freight rates price these fuels out of the market, but is true in practically all important cities in the United States. Pittsburgh and Charleston, West Virginia, for example, located in the heart of the coal areas, are both served with natural gas, and pipeline capacity to these cities is currently being increased. A recent study by the Equitable Gas Company shows that natural gas is less expensive than coal for house heating in Pittsburgh.

An Economical and Efficient Fuel

As is well known, natural gas is a premium fuel because of its cleanliness, superior efficiency, lack of storage space required, dependability and ease of service, and lower maintenance and installation costs, so that even at equivalent heating costs it enjoys an economic advantage over coal and oil. This is attested by its growth before the war.

Another measure of the relative prices of fuel is the basic cost, ex transportation, at the well head or the mine mouth. According to a recent study the cost of a billion BTU was $26 for natural gas, $202 for oil and $123 for coal in West Virginia.

Outside of the house heating field, the growth possibilities are also extremely large. The Transcontinental Gas Pipeline, now under construction, and from which Consolidated Edison and others have contracted to purchase natural gas, expects to deliver gas at the east bank of the Hudson River at a cost of 31c per MCF. The savings to Consolidated Edison have been estimated at over $9,000,000 in the first year of operation, or approximately 30c per MCF of gas delivered. Michigan Consolidated Gas Company was forced to supplement its natural gas supply from Panhandle Eastern Pipeline by propane and manufactured gas in the 1947-48 winter at a cost close to $2.00 per MCF, as compared with the price paid Panhandle of 21c per MCF for natural and an indicated laid down price by its affiliate, the Michigan-Wisconsin Pipeline (now under construction), of around 30-32c per MCF.

Another important factor is that when natural gas becomes available to a mixed or manufactured gas company, it substantially decreases the distributing company's construction requirements because natural gas runs nearly twice the BTU content of manufactured gas.

Thus far this discussion has dealt principally with the wide price advantage of natural gas as the primary basis for its future growth. What statistical evidence is there to justify the tremendous growth estimates of the NSRB, Mr. DeGolyer and other experts? At the end of 1948 gas utilities were serving some 22,690,000 customers, of which only 12,243,000, or 54% were receiving straight natural gas. About 37% were served with manufactured gas and the balance with mixed gas. Of approximately 40 million dwellings in the United States, only 2.6 million are heated with gas. Approximately 14 million are heated with coal and 4.0 million with oil.

Applying use of natural gas in the "saturated area" of the country— Texas, Oklahoma, Arkansas and Louisiana—to the rest of the country, results in consumption of 11.4 trillion cubic feet, which is 4½ times 1947 sales. Natural Gas

(Continued on page 43)

*An address by Mr. Crosby before Boston Investment Club, Boston, Mass., May 4, 1949.

INDEX

Articles and News

Regular Features

*Not available this week.

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager
Thursday, May 5, 1949
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.)
Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.
Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.
Other Publications
Bank and Quotation Record—Monthly, $25.00 per year. (Foreign postage extra.)
Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Poll on NASD Nears Close

Current results constitute industry-wide indictment of "self-policing" organization on all counts. Securities dealers markedly opposed to 5% mark-up philosophy and predilection of NASD to conduct "fishing" expeditions via questionnaires and examination of books of dealers without cause. More comments from dealers on effect of 5% mark-up limit on market for securities of smaller corporations.

Some additional ballots were received the past week in connection with the poll conducted by the CHRONICLE relative to the attitude of the securities industry towards the National Association of Securities Dealers, also its policies and methods of operation. These late returns affect but slightly the results of the poll as published on this page in last week's issue. This is evident when comparison is made between the standings a week ago and the current status of the poll as set forth in the accompanying tabulations. While it is possible that some further returns may be received, the indications are that the bulk of the replies that could be expected are already in hand. In any event, analysis of the balloting reveals conclusively that a large majority of those in the securities business strongly condemn the NASD on all counts. This is particularly true with respect to the Association's 5% mark-up philosophy and its inquisitorial practices concerning reports on "spreads," etc.

We shall in due course comment editorially and in detail on the findings as established by our impartial survey. Meanwhile, we present below the results of the poll up to press time on May 4, after which we reproduce some more of the comments made by dealers as to the effect, if any, that the 5% mark-up doctrine has on the market for securities of small business enterprises. These expressions are in addition to those previously published in our issues of April 14, 21 and 28. Owing to limitations of space, only a certain number of comments can be accommodated in a single issue. Thus, aside from those given in the current issue, there remains a substantial backlog of expressions awaiting publication. These will be carried in subsequent issues.

CURRENT RESULTS OF NASD POLL
(RETURNS FROM NASD MEMBERS)

Total ballots returned	997		
(1) *5% "Yardstick":*			
Favoring	216	or	21.6%
Opposed	**752**	**or**	**75.4%**
No opinion	29	or	3.0%
(2) *Questionnaire for Reports on Spreads:*			
Favoring	230	or	23.0%
Opposed	**740**	**or**	**74.2%**
No opinion	27	or	2.8%
(3) *Examination of Books and Records Where Neither Complaints nor Charges Are Pending:*			
Favoring	206	or	20.6%
Opposed	**762**	**or**	**76.4%**
No opinion	29	or	3.0%
(4) *NASD Trial System:*			
Favoring	116	or	11.6%
Opposed	**851**	**or**	**85.4%**
No opinion	30	or	3.0%
(5) *Rule Forbidding Discount to Non-Members:*			
Favoring	273	or	27.4%
Opposed	**689**	**or**	**69.1%**
No opinion	35	or	3.5%
(6) *Should Maloney Act Be Repealed?:*			
Favoring	**640**	**or**	**64.2%**
Opposed	273	or	27.4%
No opinion	84	or	8.4%

(Continued on page 8)

Letter Writing as an Art of Salesmanship

By ALBERT J. SULLIVAN*
Better Letters Institute, Boston, Mass.

Stressing main objective of sales letter as getting reader to do what you want him to do, Mr. Sullivan outlines three keys for making letters effective, viz: (1) assume a "you" attitude, i. e. put yourself in shoes of the other person; (2) know and state reasons for writing; and (3) express yourself simply. Urges "vizualizing your reader" and talking to him in personal vein. Points out unless you analyze your proposition and know its features and benefits you will never be able to sell it. Sees no objection to lengthy sales letter if customer's interest is obtained, and gives illustrations.

The art of letter writing is, for most people, a pretty dull chore. I think all of us would agree that if we can avoid it, we would rather not write a letter. Most of us say, "They are no fun." Now, in an hour and three-quarters, you are not going to have much chance to cover all the principles of letter writing. But I am going to try to show you that it can be a little bit of fun, if you know some of the tricks. Not only will it be fun, but if you will apply these tricks, tomorrow morning you will be able to write a more effective letter. Not that it will be a masterpiece—far from it. But if you apply some of these tricks intelligently for the next three months, when you are writing a letter, I think you will be amazed—amazed to see a letter than can actually make someone at a distance do what you want him to do.

Albert J. Sullivan

What is my definition of a letter? There are two kinds of letters. One is just a piece of paper on which you put some routine information; and, for my money, you might just as well use a form. There is no sense in taking the time to dictate the letter.

The most important letter is the one where you have a blank piece of paper, and you are going to put on that blank piece of paper twenty, thirty, or fifty words, and you are going to send it through the mails; and a few days later, a man is going to read it and he is going to do what you tell him to do. That is my idea of a letter—any letter.

In a sales letter, we are going to try to make our people that read our letters sit up and take notice. We are going to make them believe, "Here is a man that is going to tell me something that I want to hear."

If you can apply a few of these key tricks, I will guarantee that your readers will sit up and take notice. It won't work all the time, of course, because some of the readers will have too much sales resistance, or the readers won't do what you tell them; but, actually, the average will be in your favor.

This, then, is the definition of the sales letter—any letter—but particularly a sales letter: Try and make the reader sit up and take notice, and have him do what you want him to do. Let's see how we can do that effectively.

Three Keys

I want to talk to you tonight about the three keys for making a letter effective. By effective, I mean making him do what you want him to do. The three keys are these:

Number one is the "you attitude."

Number two, "Who — what — why."

Number three, "Say it simply."

These are the three keys to effective letter writing. Number one is the "you attitude," and that really isn't a "how-to" trick. That isn't a matter of technique. That is a matter of, "Where do I stand when I write this letter." It really is in you. You either have it or don't have it, and we will discuss the ways you can have it in a few moments.

The second is really the great big three. I put in those pronouns deliberately so that you will remember them. In other words, the "who — what — why" means to plan your letter.

The "why" means, "Why am I writing this letter?" It means, "What do I want him to do?" You don't just sit down and say, "I am writing this letter and I hope he will do it." He is going to do it. We are going to know the purpose before we start.

The "what" in there: "What facts am I going to present in the letter so that he will want to do something?"

The "who" comes directly out of the "you attitude." It means that every letter you write goes to a person.

It normally goes to "Gentlemen:" or "Dear Sir:" It goes to "Mr. Smith," "Mr. Walden," or "Dear Bill." Here is the point: Think of him as "Dear Bill" even though you call him "Dear Mr. Walden:" We are going to talk to people. We are people talking to people on paper. You can't do that unless you have a picture of him in your mind.

Third, and probably the most important, whatever you have to say, "Say it simply." We will have much to say about that later.

"Say it simply." In fact, I am going to start a revolution in here when I tell you to write in one syllable words. You are going to say, "Are we school children? Are we going to write to intelligent people—is Mr. Gerrish going to write to the vice-president of a bank, who went through Harvard, in one syllable words?"

Those are the three keys, and right there is what you have to know about writing any kind of a letter.

Let's take the first one. The "you attitude," you define, is simply put yourself in the shoes of the other person, figuring out what he wants to hear. Well, I sit here and I am going to dictate a letter, and I am going to dictate it to the semi-bald gentleman in the last row. I am going to say to myself, "What is going to make him want to buy my securities?" When I write a letter, I am writing it because I have a large mortgage on a small house. I am writing a letter because my youngster needs shoes. I am writing a letter because the sales-manager said, "If you don't have ten thousand this month, I think you are going to look for a job." That is why you are going to write a letter. He doesn't know that; all he cares about is himself—and he is not alone.

Take Your Reader's Point of View

When you get a sales proposition through the mail, the intelligent writer is going to get you to see his proposition from your point of view. Now, it is ex-

(Continued on page 26)

*A lecture by Mr. Sullivan, tenth of a series in a course on Investment Salesmanship, sponsored by Boston University and the Boston Investment Club, Boston, Mass., April 5, 1949.

Do You Want Articles Under One Cover?

On this page we give an additional lecture in the series on Investment Salesmanship, sponsored by the Boston Investment Club and Boston University, transcripts of which are being published in the CHRONICLE. (Previous lectures appeared on page 4, in our issues of March 3, 10, 24 and 31; April 7, 14, 21, 28.) The Boston Investment Club is anxious to learn the maximum potential interest for copies of a brochure to contain all of the respective lectures. Inquiries in that regard should be addressed to Dr. Douglas H. Bellemore, Chairman, Economics and Finance Department, Boston University, Boston, Massachusetts.—Editor.

No Collapse Ahead!

By CHESTER WALKER
Publisher of "Chits," Providence, R. I.

Market analyst decries as over-dramatic recent prophecies of panic and depression. Based both on Dow Theory as well as political factors, as government domination over business and America's international preeminence, Mr. Walker maintains we are not in a major bear trend in finance or business.

America does not face its worst depression, nor any collapse of prices or values. The stock market does not face declines culminating in dramatic low values. It hardly seems necessary to make such statements, nor would it be, save that there is a small number of market commentators who have taken an extremely bearish position and are prophesying panic and depression. This is very dramatic. Perhaps what the soothsaying business needs is not drama, but a bit of humor and ridicule, self applied. I have been a soothsayer, by choice, for over 20 years and I have no apologies for my profession. Commenting on the financial markets is serious business; it carries a responsibility, a responsibility for temperate and well considered statement. It seems to me that the becoming humility of Hamilton and Rhea in their publications is a pattern that we of the present should try hard to follow.

The Dow Basis

One unfortunate aspect of the present predictions of doom is that they have been based, by implication, upon a useful and practical tool of finance and business, The Dow Theory. It is too bad to relate something of sober and continuing value, such as the theory of stock market action by Dow, with violent personal opinions which are of limited value. Dow originated the theory, Hamilton brought it into notice and use over a period of many years, and Rhea codified it into its present form. Millions of people use this grand theory consciously or unconsciously. In finance it is basic, in business its use is much more widespread than even its best supporters claim, and in government it is far from unknown, if we may infer from the timing of some governmental actions.

One of the principle tenets of The Dow Theory is that it does not predict, indicate, nor even hint at the duration or extent of the stock market moves it deals with. The theory is solely concerned with determining the direction of the trend of the stock market, bull or bear, up or down. Last Sept. 27 there was a formation in the charted course of the stock market that could be used, under The Dow Theory, to predict a decline, a "change in the tide" from bull to bear. This was followed on Nov. 9 by another "signal" of a bear trend. On the surface of the matter a logical prediction of a bear trend could have been based upon either of these indications. But there is nothing in The Dow Theory as delineated by Dow, Hamilton, or Rhea to indicate the duration or the extent of the decline.

Another Position

There is another position possible in regard to the action of the stock market averages last fall, a position which I have taken and still hold to. In "Chits" of Nov. 9 I noted that a widespread interpretation of The Dow Theory indicated a bear trend in stocks, but "Chits" differed. On Dec. 4 I stated: "The pattern still seems that of a bull trend with sharp sell-offs breaking in on a market that wants to creep up. This type of indecision often occurs in the second year of a bull trend." This idea is further explained in "Chits" of March 26: "There have been four cases in the past 50 years in which a bull trend, in its second year, hesitated and gave bear market growls, thereafter resuming its upward course. This occurred in 1898, in 1923, in 1934, and in 1939. So far, the present bull trend seems to be following this pattern." If I might be pardoned a bit of presumption, I would suggest, cautiously, an amendment to The Dow Theory as follows: "In the second year of a bull trend, bear market signals are to be suspected." Using this amendment at the present time I do not think that the main trend under The Dow Theory is down.

Present Picture Without Precedent

Now to leave The Dow Theory with its beautiful simplicity and its long record of valuable help to active people who are responsible for property or laws. From here I will have a go at personal crystal gazing. The present picture is different from anything we have had before in the history of this country. The outstanding feature today is the dominance of government over every phase of our lives, over business especially. Secondarily we have the increased importance of the United States in the world situation. These two forces are of great power, any gazing into the future must take account of them. To base predictions at this time upon what happened to business 10 years ago, or 20 years ago, or 100 years ago, is, it seems to me unwise. Human nature doesn't change, I admit, but the manifestations of human nature are changed by the conditions under which it acts. Cautiously I would take from my crystal ball, that present government has the power to stave off depression if it so wills, but that it does so at the price of serious inflation. By myself I will go no further. But coming back to The Dow Theory, my interpretation of it is to the effect that we are not in a bear trend.

A. M. Law & Co. In New Location

SPARTANBURG, S. C.—A. M. Law & Co. is now located in its new building on Old Kennedy Place.

The firm's new home is located only a few feet from the offices it had occupied the past 32 years on the ground floor of the Andrews Building.

The new Law building, especially designed and constructed for the firm's use, is of Georgian type architecture, faced with hand-moulded Kentucky brick, with classic entrance.

The firm was founded in 1892 by the late William A. Law and John A. Law. Andrew M. Law, present head of the firm, purchased the business from his brothers in 1900. Mr. Law is now in his 50th year as active head of the firm.

Simpson F. Cannon, Manager of the insurance department, came into the firm in June, 1903, and has managed the department continuously since his affiliation.

Henry J. Blackford joined the firm in March, 1922, and since that time has been very active in the securities and investment branch of the business.

The company has been a leader in underwriting and distributing textile securities and municipal bonds, in addition to regular trading in general securities. It has promoted a number of new enterprises and in recent years has acted as agent in the disposition of many of the cotton and rayon manufacturing plants, as going concerns, to new owners.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Practically no change was evident the past week in total industrial production from the level of the preceding period and, compared with the like week in 1948 there was likewise, no marked variation.

This was largely accounted for by the fact that although decreases in the output of some goods occurred, rises in production of others were sufficient to sustain a high level of output for the country as a whole.

Unemployment in the week ended April 16, the latest figures available show, continued to reflect a noticeable increase above that of a year ago.

On Monday of the current week approximately 6,500 employees in 22 plants and warehouses of the Philco Corporation left their jobs to bring pressure on management for increased wages and a pension plan. At the Brooklyn, New York plant of the American Machine & Foundry Co., some 1,800 workers walked out for similar reasons. The above strikes along with others appear to signalize the opening battle in the spring offensive for the fourth round of wage increases.

* * *

Consumer credit at the end of March was up $43,000,000 from the previous month and $1,574,000,000 from March 31, 1948.

Total consumer credit outstanding at the end of March was $15,379,000,000. Of this, instalment credit totaled $8,447,000,000, up $107,000,000 from February and a boost of $1,626,000,000 over March the year before. Non-instalment credit was $6,932,000,000, off $52,000,000 from February and $52,000,000 from March, 1948, the Federal Reserve Board reports.

* * *

Manufacturers' inventories in March experienced the first "sizable" decline since the war, the Department of Commerce stated on Saturday last.

The March downturn had been foreshadowed by declining industrial production and factory employment for several months.

Stocks of goods in the hands of manufacturers declined $300,000,000 in book value to $31,700,000,000 at the end of March. They were, however, $2,600,000,000 above a year earlier.

A major factor in lowering the dollar volume of inventories was the declining price trend of the last few months which, the department said, "only recently began to be reflected in inventories as valued on company books." The physical quantity of inventories, it added, probably was little changed.

* * *

The usual post-Easter decline in consumer purchasing in the period ended on Wednesday of last week reduced total retail dollar volume moderately below that of the previous week. It was very slightly below the level of the comparable week in 1948 with consumer resistance to high-priced merchandise evident in most parts of the nation.

Buyers evinced substantial interest in seasonal merchandise in the week. Total wholesale dollar volume increased very moderately, being slightly below the high level of a year ago. Many merchants sought goods for special promotions. Collections were generally slower than at this time last year.

STEEL OPERATIONS SCHEDULED AT FRACTIONALLY LOWER OUTPUT FOR CURRENT WEEK

High level steel output this week and heavy steel order backlogs are not the key to activity later in the year. Real signposts are found in the way steel users' business is shaping up, according to "The Iron Age," national metalworking weekly, in its current summary of the steel trade. From field reports in the past week there is evidence that steel order volume in the third and fourth quarters will not support the present high ingot rate, the trade magazine adds.

There are enough orders on the books and enough coming in to support the present ingot rate or close to it, until midyear at least. But there is no assurance at all that the latter part of the third quarter and the whole of the fourth quarter will show steel activity close to capacity, "The Iron Age" states. A part of the present order volume from steel customers is a hedge in case a coal or steel strike shuts down the industry or greatly curtails output.

It was clear this week that most steel firms had to work hard to get their third quarter books filled up. It was not a case of "letting" the customer on the books. It was a case of going after the business in order that steel mills could have rolling mill schedules ahead of time, this trade authority declared.

On wage and fringe demands from both coal and steel unions most officials are against a fourth wage round, excessive social security concessions and pension demands and will most likely offer stiff resistance to such proposals. Their reasons, states the magazine are (1) earnings are still company business and not the union's; (2) higher wages mean high steel prices and customers won't pay higher steel prices; (3) social security concessions are a part of the wage bill and are just as much an item as a wage increase and (4) steel people are opposed to talking over non-contributory pensions at this time. With the outlook for the steel industry indicating that unusually high operating rates are over for awhile some steel people believe now is the time to take a strong stand, this trade paper points out.

Philip Murray's steelworkers union still smarts from the fact that steel companies are paying retired captive coal miners $100 a month pension taken out of steel company earnings, since steel firms do not sell their coal commercially.

Steel labor's position is that steel earnings are too high and indicate firms can pay more wages; the social security package is old business from 1947 and should be cleaned up this year and if management can vote pensions to their membership the union membership should get similar treatment, this trade authority states.

Just how labor can use much force on its demands in view o

(Continued on page 31)

No Stabilization at Wartime Inflated Prices

By MARTIN R. GAINSBRUGH*

Chief Economist, National Industrial Conference Board

Dr. Gainsbrugh, pointing out every violent upswing in prices produced by war has been followed by precipitous price declines rather than slow descent from new postwar plateaus, says there is little to support thesis present postwar prices are in line with historic upward price trend. Warns against attempt to stabilize at inflated levels, but holds higher productivity forces may bring about lower prices without severe disturbances.

Speaking solely from an independent viewpoint, and not necessarily reflecting the views of the National Industrial Conference Board, I would venture to suggest that future economic historians may not only place the peak of World War II inflation in the closing half of 1948 but that the terminal date for the expansion or prosperity phase of the last business cycle may well be designated as the first quarter of 1949.

Martin R. Gainsbrugh

One of the primary determinants of the severity of this period of postwar correction in which we currently find ourselves is a widespread understanding of the economic factors behind the downturn in prices. Insistence by consumers upon excessively low prices relative to the prevailing cost structure could readily lead to major business readjustments. In their concern over excessively high prices, the bulk of our population may have forgotten that excessively low prices relative to prevailing wages, taxes and costs are also harmful. They can bring in their wake mounting mass unemployment, a rising toll of bankruptcies and steadily diminishing national output.

Mistaken or blind insistence that our major economic problem is still inflation can lead to national policies which are harmful to an economy which is shaking down to a lower price level. In such a period flexibility of resources is extremely desirable. Higher taxes or increased government outlays aggravate rather than facilitate this readjustment; government subsidies or support hamper the flow of resources and freeze wartime abnormalities into the new balance being struck between income, costs and prices.

The goal toward which we as a nation should now be moving is not perpetuation of the war-induced abnormalities but a better and sounder exchange relationship among all those who contribute to our national output. Prices during the past decade of inflation have become inextricably interwoven with the upward movements of wages, income and costs. The improved status of millions of American families is closely related to the higher prices the members of these families receive for the goods and services they offer for sale.

The price correction of 1920-21 was no gentle rain of disinflation but rather a torrent of sweeping cuts in prices and income. This time we are told by many of our economic and political sages that the fatal parallel need not be repeated. The array of evidence is strong, but the record of history cannot be shaken off lightly. Millions of people remain unconvinced. Until the mass of public opinion is shown that real value exists in the newly emerging price level the balance will be swung toward real depression rather than gradual and less violent readjustment. The price significance of prevailing wage rates, governmental costs and the existing money supply is understood by only a small fraction of our population. Until the meaning of this hard core of costs is clear and incorporated in the value judgments of our population, their consumer ballot cast in retail stores and other distributive outlets will continue to be adverse. They will increasingly prefer liquidity to spending.

Important sectors of our citizenry as early as mid-1947 had begun to alter their spending and investment patterns in the belief that the long-term price picture would depart substantially, if not violently from currently prevailing prices. With each succeeding quarter their preference for savings, primarily for liquid savings continued to rise. This is frequently described as inability of consumers to pay higher prices and is, in part, particularly true for those with fixed incomes in the lower or middle income groups. But, in my opinion, a host of individuals have spent less freely as prices continued to rise, in the belief that drastic price correction would be forthcoming, as in all previous postwar experience. To most of this group, price is an independent variable; some are aware, of course, of the changes which have occurred in the cost side of the price equation.

But history lends authority to their opinions and little has been done by business or government

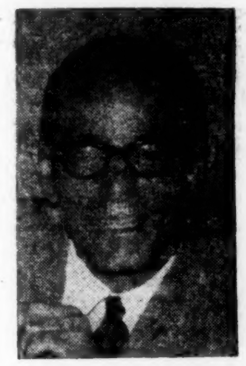
(Continued on page 43)

*Excerpts from an address by Dr. Gainsbrugh at Midwestern Spring Conference of the Controllers Institute of America, Cleveland, Ohio, May 3, 1949.

A. W. May to Address N.Y.U. Economics Soc.

"Today's Socialization and the Investor" the topic at annual banquet May 7. Spahr and Trachtenberg also participating in Society's meeting.

A. Wilfred May, Executive Editor of the "Commercial and Financial Chronicle," will be the guest speaker Saturday evening, May 7 at the annual banquet of the Economics Society of New York University's School of Commerce, Accounts, and Finance. The meeting will take place at Hotel Statler in New York City.



A. Wilfred May

The topic will be *"Today's Socialization and the Investor"*. The current status of the owner of securities will be analyzed in the light of the long-term political trends operating since the First World War. Consideration will be given to the historical record of European investment experience under growing government intervention and inflation.

Mr. May is a member of the Faculty of the New School for Social Research, and the Economists' National Committee on Monetary Policy, and is Chairman of the Public Relations Committee of the Tax Institute, Inc. He was formerly Economic Expert of the Securities and Exchange Commission in Washington. He has been associated with the Social Science Research Council at Columbia University, and with the London School of Economics.

Dr. Walter E. Spahr, Chairman of the Economics Department of the University, will address the meeting, and Irving Trachtenberg, President of the Society, will preside. Miss I. Peggy Moses is Chairman of the banquet committee.

The Economics Society was founded in the mid 1930's to discuss current political and economic problems in publications and forums with guest speakers. It is composed of the University's faculty members and advanced students interested in economics and finance.

Dangerous Trends

By EMIL SCHRAM*

President, New York Stock Exchange

Mr. Schram lists as trends damaging to national well being: (1) power centralization in Federal Government; (2) centralized financial power of life insurance companies; (3) too much debt; and (4) punitive rates of taxation. Sees need of reexamination of flow and functions of savings as they affect capital market and asserts there is too much debt and too much complacency regarding private debt expansion. Lays difficulty of raising equity capital to taxation of dividends and capital gains. Pleads for fair deal for investor.

For 16 years my chief concern has been the problem of capital. It just happens that during the first eight of the period I had an opportunity to observe capital problems through the eyes of a great government lending agency, the Reconstruction Finance Corporation.

Emil Schram

When I resigned as Chairman of the RFC in May, 1941, to become President of the New York Stock Exchange, I merely shifted the focus of my attention to a great capital market. Although affairs have brought me to the nation's capital often in recent years, this is the first time since leaving the Reconstruction Finance Corporation that I have had the good fortune to address so distinguished an audience as this in Washington, and I propose to take advantage of it to speak bluntly, hewing close to the line, let the chips fall where they may!

In investment practice, it is often said that to go against the trend is a cardinal mistake. As I have many other problems in addition to convincing people that I have no special claim to being an investment adviser, I shall not pause to wonder what one does when there is no trend in the markets. Very definitely there is a trend in national affairs which it is the duty of every responsible citizen to buck—I refer to the trend to take the line of least resistance and move along blithely with the most widespread current opinion in dealing with our economic and financial problems.

The late Justice Holmes once said that no generalization is worth a damn, adding, with his usual wit, "not even this one." To get away from generalizations, I must appear in a very distasteful role and I resort to the "I told you so" pattern only to underscore the need for thinking against the trend. Last May, I testified before the United States Senate Joint Committee on the Economic Report. You will recall the background. Commodity prices were soaring, construction activity and department store sales were making new peaks, and the monetary authorities were clamoring for new controls to stem inflation. Dire warnings were voiced as to the prospects for, and effects of continued spiraling of inflationary factors.

At that time I stated, and I quote, that "the area of shortages has shrunk. It is my conviction that it will shrink further in coming months as the remaining pipelines are filled and production and consumption come into greater balance. . . . My thinking is along lines of stability. Provided we keep our heads, I do not fear runaway inflation, nor do I look for the great depression whose failure to appear has so chagrined the Marxian economists and statesmen. . . . We have emerged from the period of shortages and unless the Congress permits the budget to become unbalanced again. I firmly believe we have already entered the postwar period of stabilization."

For a few months, the facts making the headlines seemed to contradict these views, but the underlying forces, as subsequent developments have evidenced, unquestionably were moving in this direction.

My views were rooted in deep faith in the immense productive capacity of American industry and in equal faith that the American people would refuse to be stampeded into a flight from savings.

Trends Damaging to Well-Being

Without further comment on the past, I now turn to the areas where constructive thinking is most essential, which is merely another way of saying that these are the subjects where moving with the trend is most damaging to the national well-being. In short, among tendencies are:

(1) The trend toward centralization of authority in the Federal Government.

(2) The trend toward concentrated financial power and influence of our life insurance industry, due in part to altered saving habits of the public and the underlying quest for security.

(3) The trend toward too much debt, both corporate and individual;

and

(4) The trend toward punitive rates of taxes, in the name of an ill-conceived notion of what "liberalism" means, and without regard to the economic consequences of such taxation.

1. The centralization of government is in the realm of political science. I shall not pretend any special competence in this field. The eminent members of the Congress, by whose presence I feel complimented, may be relied upon to express in the fullest measure the idea that, after all, ours is still a Federal Government, making all allowance for changing economic and social conditions.

2. The blessings of life insurance need no elaboration and I unreservedly endorse insurance as one of the most tremendous forces for good in our national life and a remarkable illustration of cooperative voluntary achievement. There is no privately owned and managed business which is more affected with public interest than life insurance. Its size alone inspires awe. Life insurance assets aggregate an amount approximately equal to 35% of the combined principal assets of some 14,000 banks comprising our commercial banking system. They are two and one-half times the assets of 533 mutual savings banks, and four and one-quarter times the assets of 3,733 savings and loan associations which are members of the Federal Home Loan Bank System.

The size of life insurance companies is not the most significant fact. Their amazing rate of growth is even more striking. Fifty years ago, life insurance company assets amounted to approximately $1.3 billion. By the end of the following decade, they exceeded $3 billion, and in the next 10 years to 1917 practically doubled again to $6 billion. Between 1917 and 1927, the increase was accelerated and in the latter year their assets had expanded to $14.4 billion. By the end of 1937 they had grown to $26.0 billion, and in the subsequent 10 years the increase again approached 100% so that at the end of 1947 the assets of life insurance companies stood at approximately $52 billion and are now estimated to be in the neighborhood of $57 billion.

In a recent article, Mr. Frank A. Schmitt, of the financial staff of the New York "Herald-Tribune," made a projection of life insurance assets in 1957, by applying the smallest 10-year gain in the past half century. The projection brings the figure to $94 billion! It is difficult to comprehend figures running to astronomical proportions. Just one added comparison — currently the market value of the 2 billion shares of stock listed on the New York Stock Exchange, representing 1,400 different issues, amounts to less than $70 billion.

Capital Markets and Life Insurance Companies

The sheer size and rapid growth of life insurance companies inevitably brings them into close contact with the problem of capital and the capital markets. Beginning in the thirties, private placements have become more and more important. The registration requirements under the Securities Acts need not be complied with, for there is no public offering. It has been estimated that during the past 10 years approximately 30% of all security offerings by corporations have been placed privately. It may be true that in this matter we are dealing with a logical evolution, but the fact remains that life companies dominate the investment banking industry and I wonder if the implications have been fully canvassed or whether the facts themselves are generally recognized.

For a time last year, life insurance companies were large sellers of government securities, mainly long-term issues. Only unprecedentedly large purchases by the Federal Reserve Banks at pegged prices preventel possible demoralization of the government bond market. Unlike member banks, life insurance companies are not subject to regulation by the Federal Reserve authorities.

Finally, the whole equity-debt problem is illuminated by what has happened in life insurance. Private insurance has been increasing at the rate of approximately $3.5 billion annually. In 1948, according to data of the Securities and Exchange Commission, it is estimated that all liquid savings aggregated $4.9 billion and private insurance alone absorbed $3.5 billion, or 70% of the total. By reason of the large sums which flow to them, including amortization of mortgage debt and loans, life insurance companies have necessarily come to play an increasingly significant part in the capital markets.

Since they are in the main restricted to the purchase of bonds and mortgages, and the making of loans, the question has arisen as to whether it would not be wise for life insurance companies gen-

(Continued on page 41)

*An address by Mr. Schram at meeting of the Washington Board of Trade, Washington, D. C., April 29, 1949.

From Washington Ahead of the News

By CARLISLE BARGERON

The announced intention of Senator Baldwin of Connecticut to throw up his Senate seat for what amounts to a lifetime State judicial appointment at the hands of New Dealer Chester Bowles has caused an unusual furore in political Washington. The Republicans are bitter, understandably, because they not only lose one Senator but consider they have lost what opportunity they had to pick up another Senator from Connecticut next year.

Carlisle Bargeron

Organization of the Senate in 1951, the question of whether Republicans or Democrats control the machinery, will be decided by a very close margin. The Republicans are quite hopeful they will be able to return to the control of the House. The Senate, however, will be a harder nut to crack than it was on paper before the last November elections. They lost the Senate then, of course, but they had figured they would win and very likely would have, had not an upset in the Presidential race occurred. The point is that on form the situation looked better in 1948 than it does for 1950.

This being the case, the Bowles-Baldwin deal leaves them dumbfounded. The Democratic incumbent from Connecticut, Brian McMahon, comes up next year and he was by no means cocky about his chances for reelection. Now he figures he has a convincing issue by pointing out that if he is reelected he will certainly serve out his term while there is no telling what his Republican opponent might do.

But if the Republicans are angrily nonplussed, the Liberals seem to be seriously embarrassed. This is because they had embraced Baldwin as a "Liberal" Republican, not like the rest of the Republicans, but an advanced, progressive mind that thought always of the common man and had nothing in common with the Republican Old Guard. Just why they embraced the Connecticut Senator in this way is difficult to understand because the extent of his so-called Liberalism seemed to be his frequent criticism of his party, which I took to be his effort to attract attention in the Washington scene. He has never stood out down here in the Big Time as he did as Governor and such antics as challenging the leadership of Bob Taft early in the session seemed to be his way of erasing the contrast. The so-called Old Guard never had any reason to complain about his votes.

Nevertheless, the "Liberals" think it necessary to apologize for him and this they are doing with an unusual intensity. Three of their syndicated columnists have had pieces almost identical. It is as if they were given carbon copies and added only their by-lines.

This "official" explanation is a heart-rending story of what a "Liberal" is up against in our capitalistic society. Five times in 10 years, the explanation goes, the Senator led his party to victory in Connecticut hoping that some day, in some way, the party would show its appreciation by mending its ways. The Senator did this at great sacrifice of the security of his family.

There is a real heart-throb in the touching experience the Senator had just as he was about to leave Washington to confer with Bowles. It seems that one of those pig-headed business men called him on the telephone to upbraid him about his "liberal" views. This cast the die. The Senator realized then and there the futility of it all. Complete frustration overcame him, and thinking of the welfare of his family he decided to grab this life-time job while the grabbing was good.

I have little doubt that the "Liberals" will make a martyr of him. It will be a part of their future propaganda how this good man's heart was broken by the intransigeance of the Republican reactionaries. The point will be that they will break the country's heart if it fools with them.

Frankly, I think it is the utter cynicism of the deal that really embarrasses the "Liberals." Baldwin's emphasis in his utterances on the matter have been that he thought he owed it to his family to take the security which the job offered. I have seen nothing about the "high honor" of the office appealing particularly to him. Undoubtedly a senatorship outrates this State judicial post.

There, too, is the point that the episode strikes at the myth that the "Liberals" serving in Washington are doing so at a great personal sacrifice, that business is forever making them enticing offers and that government salaries should be upped so their unusual talents can remain here. Business apparently didn't make their fellow "liberal" Baldwin any enticing offer.

Several "Liberals" have unquestionably made fortunes out of the "Liberal" era. They have been the outstanding ones. But taking them as a lot, their government jobs mean bread and butter to them.

I have heard that the membership of the Americans for Democratic Action, which is largely an organization of New Dealers fired by Truman, would give anything to get its collective feet back under the Washington table—at the inadequate wages.

Slocum to Manage Cruttenden Office

OMAHA, NEB.—Cruttenden & Co., members of the New York Stock Exchange and other principal exchanges, announce that Cecil W. Slocum is now associated with them as manager of the Omaha office, 204 South Seventeenth Street.

Mr. Slocum's association with the firm was previously reported in the "Chronicle" of April 28.

Williams-Imbrie Dissolving

The brokerage firm of Williams & Imbrie, 15 Broad Street, New York City, was dissolved as of the close of business May 2, 1949. It is understood that Schuyler Imbrie will become associated with F. P. Ristine & Co., 15 Broad Street, New York City.

Bache & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—George R. Mandis has become affiliated with Bache & Co., 135 South La Salle Street. He was formerly with Hornblower & Weeks and Cruttenden & Co.

IBA and Revitalization Of Capital Markets

By HAL H. DEWAR*

President, Investment Bankers Association of America
Partner, Dewar, Robertson & Pancoast, San Antonio, Texas

Asserting basic problem of securities business is revitalization of capital markets, IBA head, aside from disturbed international situation, lays causes of present depressed conditions to: (1) Administration's unfriendly attitude toward business; (2) inequitable and unrealistic tax structure; and (3) Federal laws and regulations. Tells of activities of IBA in meeting these problems, and says its most constructive work is in educating young men for securities business. Urges improvement in securities merchandising.

The basic problem before the securities business today is the revitalization of our capital markets to the end that risk capital will move freely and at a fair price. The accomplishment of this is impeded by several factors. Certainly at the bottom of any investor's fears is the matter of world unrest. The other major factors are the direct concern of the IBA as your trade organization, and I should like to review briefly, in the order of possible influence on them, our present approach to these problems. First of all, there is the matter of the Administration's attitude toward business. This is almost as much of a factor as world unrest in destroying the investor's confidence. We are terribly handicapped in tackling this problem because, as a body, we do not have the great numerical strength necessary to give us political influence. The only way we can do a job here is through public education. Joe Johnson, the President of the Milwaukee Company, who is here today, is leading us in this field. While handicapped by the limited funds which the Association has, he is directing a program which is big in scope, and, I believe, is accomplishing important results. I cannot begin to tell you the amount of work and sacrifice that has gone into his efforts. It is no easy job to "poor-boy" an undertaking of this sort. We really need money to do the job, but it is difficult to raise money for Association work in times of poor business. I am inclined to think that that is the best time to spend money for work of this sort, but these are matters that are beyond my power to do anything about.

Hal H. Dewar

The work of the Public Education Committee, of course, covers a much greater field than that of government and business. The implementation of this work on our limited budget consists of magazine articles, speeches before luncheon clubs and other gatherings, and direct contact with those who influence public opinion primarily in the newspaper and educational fields.

The second major factor we are tackling is the unrealistic tax structure. This is certainly the greatest direct factor in holding down risk capital investment. Our activity here is being led by Malon Courts of Courts & Co., Atlanta, Ga. We are working here in cooperation with the New York Stock Exchange, the NASD, New York Curb Exchange and the Association of Stock Exchange Firms. This, incidentally, is the first full cooperative effort of any kind that these various groups have undertaken, and we are very hopeful that our efforts in this field will lead the way toward many other cooperative undertakings which are essential to the welfare of the investment industry. I could spend all morning talking about our program and its possibilities of success, but I do want to say that if anyone can do a job for us here, your Board of Governors feels very strongly that Malon Courts is the one to do it.

*A talk by Mr. Dewar at the Texas Group Meeting of the Investment Bankers Association of America, Houston, Texas, April 28, 1949.

The third major factor in our way consists of the various Federal laws and regulations which have not yet been streamlined to meet the needs of the day. This factor is primarily the concern of our Federal Legislation Committee, of which Howard York of Drexel & Co., Philadelphia, is Chairman. Murray Hanson will speak to you shortly about the work of this committee, and the progress that is being made here. I should like to put a word in, however, for the fine cooperative attitude on the part of the Securities & Exchange Commission. I am delighted that Bob McConnaughey has come to this meeting and will address us all at luncheon.

The Education Program

The previous factors I have been discussing are ones that we have to tackle in cooperation with others, and our direct impact on them is not the final answer. The fourth factor, however, is something over which we have a direct control, and that is the problem of our own merchandising. This is not just a job for a committee, but is something for every single one of us in the investment business to work on. There is one particular phase of this that I want to speak to you about this morning. This is the man-power situation. The most constructive piece of work that the IBA ever did was in the field of education of young men for our business. Under the Chairmanship of Julien Collins, our distinguished Past President, who is with us here today, this committee established courses in leading universities throughout the country to give the

(Continued on page 37)

Life Insurance Companies Not "Too Big"

By CARROL M. SHANKS*

President, The Prudential Insurance Company of America

Prominent insurance executive defends function of life insurance companies in American economy and denies their growth individually or as whole has been excessive or threatens to concentrate financial power in their hands. Upholds direct placement of security issues as essential part of insurance lending operations and points out holdings of mortgage debts by insurance companies have declined in last 25 years. Sees no concentration of life insurance business in few large companies.

Realtors and life insurance companies have many things in common. Both make essential contributors to the security of the family and the home. Both have a long and honorable record of service to both large and small businesses, to industry and to farmers. Both depend upon the thrift, initiative and self-reliance of the individual. Neither can survive in a political or economic climate which strangles or extinguishes these fundamental American qualities. In common with the nation generally, each flourishes only when there is a continuing flow of capital, supplied by the savings of the people, into plant and equipment for industry, the farmer, the home owner.

Carrol M. Shanks

The life insurance company is a sales and service organization which accumulates reserves and hence has funds to invest. It performs a gigantic pooling and redistribution service. It is not a creator of wealth as such, although the effect in the individual case may be the same. Any well-rounded discussion of the life insurance company in the American economy would devote considerable attention to the primary function of the sale and servicing of insurance and its bearing on many phases of our national life. Time will not permit of this, however, and I will devote myself in the main to the investment aspects of the business.

Funds of Life Insurance Companies

The funds which a life insurance company holds for investment represent self-respecting dollars which are accumulated through the sweat and self-denial of the thrifty part of our population. These funds are directed into all parts of the American economy, wherever located geographically or in whatever segment or portion of our economy. They flow wherever there is a call for capital. We can respond to the call but cannot create it. The call must arise from prevailing economic and social factors in the nation or in some particular area, which encourage private initiative and the expansion and improvement of our national plant. A substantial part of these funds is invested by us in real estate mortgages. Thus private capital is provided for financing the construction and purchase of homes, apartment houses, stores, office buildings, factories, farms—in fact, all the types of real estate you buy, sell and manage.

*An address by Mr. Shanks at 66th Annual Banquet of The Chicago Real Estate Board, Chicago, Ill., May 4, 1949.

During the '30's when we became the unwilling owners of much real estate, you managed and sold it for us—and did a fine job. Speaking for one company, you will continue to manage and sell real estate we may acquire. Some of you represent insurance companies as mortgage loan correspondents. Most of you have occasion to place mortgage loans or other types of financing with insurance companies in the normal conduct of your business. All of you benefit by free competition between local and national lenders, in which insurance companies play an important part. Anything designed to harm or hamper insurance companies in their operations is likely to have its repercussions on your businesses—right here in Chicago.

Our skyscrapers and our homes have all been made possible by the vision and initiative of real estate people like you, working in close cooperation with private capital under our system of free enterprise. The job we have done together isn't perfect in all respects. There is room for improvement and always will be. Nevertheless, the job we have done together is the best that has been done anywhere, any time, under any system. Your services are necessary to us and to the public—and we believe that our welfare is important to you and to the country.

Measured by any yardstick you choose, this country of ours is great—great not only in size but in the opportunity it offers to anyone who is willing to work and who has the vision and courage to stand on his own feet. This opportunity is a rich heritage that we as Americans wish to pass on to our children. One of the characteristics of the expanding economy of the United States has been the development of large corporations—in life insurance and in most other types of business—which have grown with the country in direct proportion to their ability to serve the people honestly and efficiently. Because of the necessity of accumulating reserves to back up their policies, life insurance companies generally tend to be relatively large companies assets-wise. This makes them natural targets for those who profess to fear corporate size *per se* as something which may harm society. Blinded by their ideology, they automatically reject the mass of evidence widespread before them that a company can grow and prosper without ruthless exploitation, unfair competition or sharp practice in business dealings. In our present day scheme of things no corporation—large or small—could survive long without the confidence and approval of the public. Smallness in itself is no guarantee of corporate virtue.

(Continued on page 38)

Plea for Greater Harmony and Collaboration in Securities Industry

By ROBERT K. McCONNAUGHEY*
Commissioner, Securities and Exchange Commission

Urging more harmony within the securities business and greater and more effective collaboration by its representatives with SEC, Commisioner McConnaughey, denies SEC attitude is antagonistic to those who deal in securities. Says this belief destroys relationship of mutual confidence and pleads for closer understanding by more frequent contact and discussion. Contends progress has been made in simplifying SEC processes and procedures and upholds trading in securities as essential to national economy. Admits existing SEC laws are not perfect and disparities exist.

I don't plan to announce any startling new Commission policies. Nor do I plan to discuss the technicalities of questions we have under consideration.

Instead I want to speak briefly about a subject that has always seemed to me to be more important than the passing interest that attaches to particular rules or regulations — about the desirability of a more cordial understanding among different groups within the securities business and a more complete appreciation by the members of your business of the character and objectives of the Securities and Exchange Commission. I want especially to emphasize the desirability and the utility of wider and more effective collaboration by representatives of the industry as a whole with the Commission and its staff in working out the best ways of dealing with problems which are plainly common problems.

R. K. McConnaughey

It is notorious that in the past the view has been widely accepted, and to some extent cultivated, within the securities business, that the viewpoint of the Commission and the viewpoint of the industry are antagonistic. There has been substantial evidence within the last two or three years that that attitude is on the wane. But you know, and we know, that there still widely persists among you the idea that "the government" is something separate and apart from the rest of the people and that the SEC is a sort of brooding omnipresence that looks with an impersonal baleful eye upon all activities, however legitimate, of those who deal in securities.

Because the persistence of that wholly unrealistic attitude continues to impair the Commission's opportunities to be as helpful to your business as it might be, it seems to me more important to point out its falsity than to take your time on this delightful occasion to discuss any of the innumerable technical problems which might be of momentary interest but which to my mind are of only spot significance as compared with the consummate desirability of establishing and maintaining between your business and the Commission an understanding of our common interests and objectives.

Bureaucrats Are People

After all, you know, people who work for the government are not substantially different from people who do other kinds of work. It would be difficult to distinguish them when you meet them on the street, or in the crowd at a football game, or on the golf course, or at any of the other places where people congregate. Yet it has become common practice to place them in arbitrary categories and set them off against each other as presumably antagonistic entities.

*Address by Mr. McConnaughey before the Texas Group of the Investment Bankers Association, Houston, Texas, April 28, 1949.

One group is often referred to as "the government" or "those bureaucrats" (frequently with various qualifying adjectives) or by any of numerous other descriptive titles (some of which may reflect whimsical disparagement of the character of their ancestry).

The others are variously referred to, depending upon the occasion, as "private citizens," as "taxpayers" (usually "poor"), as "business" (big or little, depending often upon who makes the statement, and why) or by other designations calculated to set them off, sometimes to their advantage, sometimes to their disadvantage, against the individual people who work for the government.

Strangely, these classifications do not denote any rigidly immutable caste system. Government employees, in all substantial respects, are private citizens just like most everybody else. As far as I know, all of them are taxpayers, just like everyone else. Nor is government employment an hereditary misfortune. It is a status usually acquired by voluntary choice, although occasionally there is talk about someone being drafted for a job he especially wants to have. Very frequently people who have been working for the government flow back and merge again into the group of "private citizens." Sometimes these changes happen in quadrennial cycles. Sometimes people merely get tired of being regarded as pariahs. Or perhaps they just run out of money trying to live on a government salary. Whatever the immediate motive, government employees frequently do go back to private life again. And when they do it is just as hard to tell them from other private citizens as it was when they were working for the government. Usually all is forgiven and they are taken back. After a decent interval they are not unlikely to be ranged opposite their former colleagues ardently representing other "private citizens" against alleged unjust encroachments of "the government."

I have always had a great deal of trouble with this whole idea of segregating the government from the people. It has never seemed to me that those who choose to devote their energies and talents for a time to carrying out laws enacted by representatives of the people of the United States become noticeably different as individuals from those who engage in advancing the particular interests of particular individuals or associations of individuals.

There may be a few exceptions, but I don't believe that many people in government service feel very differently from this, even though the idea is constantly pressed upon them from the outside. Aside from certain vague personal dissatisfactions created by these arbitrary distinctions, my main trouble with them is that they are drastically detrimental to the effective functioning of the government. They destroy the relationship of mutual confidence and understanding that should exist between the people in government agencies and the people concerned with questions within the jurisdiction of those agencies. I think it is essential to practical and fully effective administration of regulatory statutes like those we administer at the Commission that we constantly get direct and candid advice from the industry on practical aspects of the questions with which we deal. Carping, intemperate criticism does us no good. Special pleading and biased self-seeking representations we can usually distinguish and appraise for whatever they may be worth. But broad-gauged, objective advice and honest factual information are invaluable in devising practical and effective methods of regulation.

SEC Seeks Collaboration

The SEC has done its best to dispel the attitude of public shyness towards government officials as far as that attitude affects our relations with the people whose business most directly concerns us. That effort has had a substantial degree of success—by no means complete success, but success to an extent that has brought us substantial benefit from candid consultations on many problems with people who have had full opportunity to observe and critically to appraise the operation of the laws we administer and the rules we issue under those laws. That practice has substantially increased the effectiveness of some of our operations and the practicality of some of our rules and practices. I hope it will do so even more in the future as the practice of exchanging criticisms and suggestions freely, objectively and with a minimum of prejudicial rancor becomes more widely established.

This sort of thing, of course, has its limits. Our function is to administer the laws that Congress has passed. We cannot forego that responsibility, either in the interest of maintaining good fellowship and pleasant relations or for any other reason. Nor would it be reasonable for us to expect people who feel that rules we issue unnecessarily restrict operations they believe to be wholly legitimate to acquiesce without objection in actions of ours that have that consequence merely because we have learned to adopt a civil attitude towards one another as people. Occasionally it may be necessary to fight through some points of fundamental difference without deference to the amenities. That is what the courts are for, and we welcome court review where fundamental differences develop. And where the trouble is thought to lie in the legislation itself, Congress is available to review the question. But far more often it is quite possible, once we get beyond the point where artificial antagonisms blur the perspective and distort the facts, to find large areas of agreement, to define precisely and rationally the points of difference and frequently to work out mutually acceptable solutions.

In many of the things with which we deal, complex as they are, there is probably one best way to do each particular job. We are much more likely to find that way if we can get the facts

(Continued on page 42)

Poll on NASD Nears Close

(Continued from page 3)

(RETURNS FROM NON-MEMBERS OF NASD)

Total ballots returned	194		
(1) *5% "Yardstick":*			
Favoring	23	or	11.9%
Opposed	**150**	**or**	**77.3%**
No opinion	21	or	10.8%
(2) *Questionnaire for Reports on Spreads:*			
Favoring	20	or	10.3%
Opposed	**159**	**or**	**82.0%**
No opinion	15	or	7.7%
(3) *Examination of Books and Records Where Neither Complaints nor Charges Are Pending:*			
Favoring	10	or	5.1%
Opposed	**171**	**or**	**88.2%**
No opinion	13	or	6.7%
(4) *NASD Trial System:*			
Favoring	7	or	3.6%
Opposed	**178**	**or**	**91.7%**
No opinion	9	or	4.7%
(5) *Rule Forbidding Discount to Non-Members:*			
Favoring	6	or	3.0%
Opposed	**180**	**or**	**93.0%**
No opinion	8	or	4.0%
(6) *Should Maloney Act Be Repealed?:*			
Favoring	**154**	**or**	**79.4%**
Opposed	22	or	11.3%
No opinion	18	or	9.3%

More Dealer Comments on Effect of "5% Mark-Up" Spread on Securities Of Smaller Corporations

We present now more of the comments (others appeared previously in our issues of April 14, April 21 and April 28) made by dealers relative to question No. 4 which appeared on the reverse side of the ballot and is reproduced herewith:

"(4) What effect, if any, do you think the NASD's '5% Mark-Up' philosophy has on the market for securities of the smaller corporations of the country?"

In connection with these expressions, it should be noted that in accordance with the option contained in the ballot, some firms elected to affix their signatures and others replied anonymously. With respect to the former, we consider it a matter of fairness not to reveal their identity as time does not permit our obtaining individual permission to do so. Where the comment was made anonymously, this is indicated by the symbol (*) appearing at the end of the statement.

LOS ANGELES, CALIF.

Tends to limit markets.

LOS ANGELES, CALIF.

Stagnates growth by stopping or slowing flow of capital to smaller and lesser known corporation.*

MINNEAPOLIS, MINN.

Not very much.*

ST. PAUL, MINN.

Excellent. The average investor is becoming increasingly "listed" minded, and he is afraid of large spreads on unlisteds. On the other hand, we have found the investor very reasonable on the much larger spreads which are incident to the underwriting of the equities of smaller corporations.

ST. PAUL, MINN.

It tends to discourage trading and definitely stifles financing of new enterprises.

ST. PAUL, MINN.

Markets for securities of the smaller corporations are generally inactive. An order either to buy or sell a $10 stock for a small corporation, may take as long as three or four weeks to execute. Naturally, the 5% mark-up rule would discourage any dealer from trading in stocks of the smaller corporations.

MINNEAPOLIS, MINN.

The "5% mark-up" has definitely impaired, if not almost ruined, the secondary market on underwritings of the smaller corporations. While it is possible to complete the initial underwritings because a fair profit is available, your secondary market is "shot to pieces" because no one is interested in operating in it as long as the "5% mark-up" ruling holds.*

*Commented anonymously.

(Continued on page 34)

Pennsylvania Brevities

The Philadelphia Co., a subsidiary of the Standard Gas & Electric Co. on May 3 proposed a plan for the reorganization of the Pittsburgh Railways Co. in an effort to end nearly 11 years of litigation. The plan for the Railways company, a subsidiary of the Philadelphia Co., calls for the creation of a new company to own and operate the properties and the wiping out of the more than 50 underlying corporations. The plan has the recommendation and support of the SEC.

As filed with the United States District Court at Pittsburgh, the proposal sets up the new company with a capital structure of equipment obligations, new 20-year 5% mortgage bonds of not more than $6,000,000 and 1,076,096 shares of a single class of stock of no par value.

Cash in excess of the initial operating requirements upon consummation of the plan will be distributed to security holders in an amount of not less than $17,000,000. A maximum of $23,000,000 of bonds and cash and approximately 49% of the stock will be allocated to guaranteed and unguaranteed securities held by the public. The remaining stock will be allocated to the Philadelphia Co. which will be relieved of all guarantees affecting system securities.

Holders of system securities guaranteed by the Philadelphia Co. which are outstanding in the amount of $10,902,167 will surrender all rights on their guaranteed securities and receive $10,767,909 in cash. Holders of the unguaranteed system bonds outstanding in the amount of $11,707,500 will receive cash and new bonds totaling $11,707,500 and 150,763 shares or 14% of the new stock. Public holders of unguaranteed system stocks in the amount of $4,515,550 will receive $449,607 in cash and 377,655 shares, or 35.1% of the new stock.

The Philadelphia Co. and its subsidiaries will receive approximately 547,678 or 50.9% of the new stock.

* * *

At the annual meeting of the stockholders of Jones & Laughlin Corp. held on April 26, at which approximately 85% of the preferred shares and 79% of the common shares were represented the proposals to increase the authorized common stock to 3,500,000 shares from 2,500,000 shares and to increase the authorized indebtedness to not more than $150,000,000 were approved. The directors subsequently declared a 5% stock dividend and the usual quarterly cash dividend of 65 cents per share on the common stock, both payable July 1 to holders of record May 6. Consolidated net earnings of the corporation and its subsidiaries for the quarter ended March 31, 1949 amounted to $9,868,895, which, after preferred dividend requirements, was equal to $3.84 per common share, compared with net income of $5,150,704, or $1.93, per common share, for the corresponding quarter of last year.

* * *

Walter Stokes & Co., Philadelphia, and Thomas & Co., Pittsburgh, were participants to the extent of $100,000 and $300,000, respectively, in the underwriting and offering April 27 of $8,300,000 Arkansas Power & Light Co. 3⅜ sinking fund debentures due 1974.

* * *

Drexel & Co., of Philadelphia, jointly with Alex. Brown & Sons, headed a group that publicly offered April 27 208,373 shares (no par) common stock of Sharp & Dohme, Inc. Other Philadelphia bankers participating included: Stroud & Co., Inc.; Biddle, Whelen & Co.; E. W. Clark & Co.; Graham, Parsons & Co.; W. H. Newbold's Son & Co.; Yarnall & Co.; Suplee, Yeatman & Co., Inc.; Dixon & Co.; Janney & Co. and Jenks, Kirkland & Co.

* * *

Lukens Steel Co. of Coatesville, Pa., for the first two quarters of its 1949 fiscal year which ended April 16, 1949, had a combined net income of $2,271,705, equivalent to 6.4% of sales. This compares with a net income for the corresponding first two quarters of its 1948 fiscal year, of $1,315,845, or 2.8% of sales. The 1949 net income, after provision of $1,780,700 for current income taxes, amounts to $7.14 a share, in contrast to $2.39 a share for the comparable 1948 periods. Sales of Lukens, including those of its divisions, By-Products Steel Co. and Lukenweld, for the first two quarters of 1949 amounted to $35,477,950, as compared with sales of $26,842,321 in the corresponding quarters of last year. **Despite this productivity, Robert W. Wolcott, President, points out "that current business conditions, however, indicate a recession in the company's peak volume, the effect of which will mean some reduction in operations, the extent of which is not definitely determinable at this time."**

* * *

The Pennsylvania Telephone Corp., a subsidiary of General Telephone Corp., has placed privately an issue, of $2,500,000 3⅛%, first mortgage bonds, due 1979. Proceeds will finance company's 1949 construction program.

* * *

Moore, Leonard & Lynch and Singer, Deane & Scribner, both of Pittsburgh, were among the underwriters who on April 25 offered $40 million National Distillers Products Corp. 25-year 3⅛% sinking fund debentures.

* * *

Consolidated net income of Sharon Steel Corp. and subsidiary companies for the quarter ended March 31, 1949 amounted to $2,905,301, equivalent to $4.71 per share on the outstanding common stock of the company. This performance compares with $1,956,346 earned in the first quarter of last year which was equal to $3.17 per share on the outstanding stock. Total sales amounted to $33,581,118—an all-time record for any similar period in the history of the company. **At March 31 the book value of the common stock amounted to $67.35 per share and on this date net current assets of $26,182,614 were equal to $42.42 per share. Net current assets were increased by $1,408,119 since Dec. 31, 1948.**

* * *

E. W. Clark & Co., Drexel & Co., Gerstley, Sunstein & Co., and W. H. Newbold's Son & Co., all of Philadelphia, were among the underwriters who, on April 21, offered 70,000 shares Merck & Co., Inc., $4 cumulative convertible second preferred stock (no par.)

* * *

Butcher & Sherrerd, of Philadelphia, participated to the extent of 1,000 shares in the recent offering of Connecticut Light & Power Co. $2.20 preferred stock.

* * *

The Philadelphia Dairy Products Co., Inc. and subsidiaries report consolidated net income for the three months ended March 31, 1949 of $246,164 compared with consolidated net income in the same period last year of $2,669.

* * *

Two Pittsburgh houses, A. E. Masten & Co. and Moore, Leonard & Lynch were associated underwriters to the extent of $200,000 each in the offering of $16,677,000 Rochester Gas & Electric Corp. first mortgage 3% bonds.

* * *

The Budd Co. reported gross sales in the first quarter of this year amounted to $67,414,438, an increase of more than $12,000,000 over the comparable period of 1948. Net profits were $3,816,588, equal to $1.04 a common share, compared to $2,857,698, or 77 cents a common share, in 1948.

* * *

Fitzgerald & Co., Inc., New York early in April offered locally 1,025 shares of 5% preferred stock of Panther Valley Finance Corp. of Lansford, Pa., at par ($100) and dividends.

* * *

The Scott Paper Co., of Chester, Pa., reports for the three months period Jan. 1, 1949 to April 2, 1949 net earnings applicable to its common shares of $1,121,357, after preferred dividends of $55,250, equivalent to $1.28 per share, compared with $664,191 or 76 cents per share for the corresponding period of 1948.

* * *

The Alleghany Corp., well-known investment company, of which Robert R. Young is Board Chairman, it was announced Apr. 28, has bought from B. C. Gamble and his associates 85,660 of the 115,000 outstanding com. shares of Investors Diversified Service, Inc., formerly known as Investors Syndicate. While the purchase price was not announced, it is understood Alleghany paid about $1,750,000, or about $20 a share. Investors Syndicate was founded in Minneapolis in 1894. Mr. Gamble bought control in 1945. As of Dec. 31, 1948, the firm's assets totaled $580,000,000. Mr. Gamble said the sale of his interest was made to permit him to devote more of his time to Gamble-Skogmo, Inc. and to place the investment company in strong hands.

* * *

Pennsylvania Power & Light Co. for the 12 months ended Mar. 31 had net income of $8,522,823, equal to $2.20 a common share, against $7,164,240 or $2.05 a share for preceding 12 months.

* * *

Hammermill Paper Co. and subsidiaries report for the quarter ended March 31, 1949, net income of $214,102 after taxes and charges. This net is equal to 49 cents a share on the outstanding 360,000 shares of common stock, after preferred dividend requirements. Net sales of the company for the period totaled $4,754,754.

* * *

The stockholders of Brandt-Warner Mfg. Co., York, Pa., on April 12 approved a proposal to change the name of that company to York Axle Forge Co.

Calvin Bullock Offers Systematic Savings Plan

A new plan for the systematic purchase of income-producing securities through ownership of mutual investment company shares was announced yesterday by Calvin Bullock, 54-year-old investment management firm. The plan, called the Dividend Thrift Plan, is designed to make investment estate building possible and convenient for investors of moderate means.

Under the plan an investor makes an initial minimum commitment of $500 and subsequent voluntary monthly payments of as little as $50 or more. The participant becomes a holder of stock in Dividend Shares, Inc., a mutual-type investment company.

Dividend Thrift Plan is available through investment dealers from coast to coast who are members of the Dividend Shares Selling Group.

The investor's payments are forwarded by his dealer to the Irving Trust Company of New York which purchases stock for the investor in Dividend Shares, Inc. Without charge to the investor, the bank performs this service and also submits to him statements advising of the number of shares acquired under the plan and also the amount of uninvested cash held by the bank for his account, waiting investment.

Dividends may be made payable to the bank for the investor's account and the bank will invest them in additional shares of Dividend Shares, Inc., if the participant so designates.

Continuation by a participant in the Dividend Thrift Plan is entirely voluntary. The investor may withdraw at any time and receive his Dividend Shares' stock certificates and cash balance from the bank. If he wishes to do so, he may then avail himself of the privilege of redeeming his stock and receive in cash its full asset value.

In announcing the Plan, the Bullock organization stated that, "a plan of this sort has been requested by a great many investment dealers and their salesmen who, in turn, are reflecting the needs and demands of their clients and of investors generally. Just as many banks have special Christmas or holiday clubs which supplement rather than conflict with their principal banking services, so securities dealers can offer this 'extra' investment program, filling a current need, without limitation upon the other services which they render."

The Plan provides a simple and convenient method for regular accumulation of stock in Dividend Shares, Inc., the Bullock firm stated. Mutual investment companies such as Dividend Shares, Inc., having broadly diversified investment portfolios under the management of specialists, have grown rapidly in recent years.

The Dividend Thrift Plan, according to the firm of Calvin Bullock, is designed for the individual of moderate means who is able to save small amounts of money at regular intervals but lacks the capital generally regarded as necessary to obtain diversification and supervision of his investments.

Omer M. Fulton Opens Own Office in Phila.

PHILADELPHIA, PA.—Omer M. Fulton has opened offices at 1500 Walnut Street to engage in the securities business. He was formerly a partner in Trimble & Co.

J. R. Williston Co. Takes Over NYSE Firm

J. R. Williston & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that on May 2, the business of Arrowsmith, Post and Welch was consolidated with their firm. F. Donald Arrowsmith, senior partner, and John H. Welch, floor member of the dissolved firm, are becoming partners in J. R. Williston & Co.

J. R. Williston & Co. also announces that Eric A. Moederle has been made Manager of their foreign department. Mr. Moederle has recently returned from a European business trip for the firm.

With Baldwin, White Co.

(Special to The Financial Chronicle)

PORTLAND, MAINE—Everett L. Giles is now with Baldwin, White & Co., Chapman Building.

What and How to Save

By ROGER W. BABSON

Mr. Babson defends his thesis that children should be taught not only to save, but to properly invest savings. Recommends children should be urged to buy common stocks and investment trust certificates and stresses inculcation of investment principles

In a recent column I questioned the good old New England habit of teaching children to save only MONEY. As this advice has caused much criticism, let me expand my ideas.

Children should, of course, be taught to save. Saving is a very important habit — like honesty, industry and temperance. All these are habits formed in childhood. They largely determine one's future success. In fact, those who, each month, spend less than they earn and properly invest the same are almost sure to become employers; while those who, each month, spend all they earn, will always remain employees, working for someone else. I also believe in teaching young people to tithe for church and charity.

Roger W. Babson

Where I differ with certain readers is concerning *What to Save*. After our child's toy bank gets full of nickels and dimes, shall he be taught to take it all to a local savings bank or to wisely invest part of it in "good furniture, good books and good common stocks?" For an adult, I also recommend properly located fertile land as the best investment of all. I believe in a reasonable amount of the cheapest life insurance, bought for insurance only and known as "Term Renewable." I believe that children should be taught to buy good furniture in their teens and not wait until they are married. I believe that practical, higher education which will teach young people to become experts in some profession, in secretarial work, in merchandising, or in general business is a very profitable investment for one's savings.

What About Common Stocks?

Most of my critics object to my recommendation that children be taught to buy "good common stocks." Let me earnestly defend this advice. I see very little difference in buying good land or in buying good stocks. In either case you get only a piece of paper for your money. With the land purchase this paper is called a "deed," while with the stock purchase it is called a "certificate." In both cases, the price fluctuates and the income is uncertain; but both should average out better than "money wrapped in a napkin" which someday may have very much less purchasing power.

Many good common stocks sell for a few dollars per share. After the child saves this amount in the toy bank he may well be taught to buy an interest (real ownership) in some company making a product with which the child is acquainted. Then, when he eats or wears or uses the product he can honestly tell his playmates that he is one of the part owners of the concern! After the child saves ten dollars, it might be well for the parent to add something so the child can buy a share of stock in a local bank, or the local public utility, or one of the local chain, variety or grocery stores.

If you wish to teach your children the importance of diversification, you can buy a share in one of the more conservative Investment Companies, whose stocks are quoted each day in leading newspapers and sell for only a few dollars per share. There are many good companies of this type. I am personally acquainted with the management of three of these: viz. of Keystone Custodians, of Incorporated Investors, and of Massachusetts Investors. All of these have their headquarters in Boston. If you have only a little money, instead of putting it all into one factory, one store, or one railroad, you can buy stock in a mutual or "co-operative" company which hold stocks in perhaps 100 different companies, in all of which you could have an indirect interest.

Training in Investing

My main appeal is that parents start early to teach children not only to save, but to wisely invest in: (1) a small bank account; (2) a little life insurance; (3) some furniture which will be worth more 100 years hence; and (4) surely some stock in good local companies. Begin with one share selling at a few dollars. Such a program should be good for your children, for the parents, and for the nation as a whole.

No home or business owners ever become communists! Besides, the trouble with the Truman plan to redistribute the wealth is that he does not tell the people in what to put their increased wages. Hence, too much of this increase now goes into gambling, liquor, entertainment, and other harmful or wasteful things. To make a redistribution of wealth stick and be useful, we should be taught when children in what to safely invest.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — J. Willis Langdale has become connected with Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Langdale was previously with Herrick, Waddell & Reed, Inc.

With R. H. Johnson & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—John C. Larmondra has joined the staff of R. H. Johnson & Co. He was previously with Charles A. Day & Co., Inc.

Vernon E. Mikkelson Is With Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — Vernon E. Mikkelson has become associated with Harris, Upham & Co., Northwestern Bank Building. Mr. Mikkelson was formerly President of the Fidelity State Bank.

E. F. Hutton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Capel E. Kelly and Donald F. Grannis have been added to the staff of E. F. Hutton & Co., 623 South Spring St.

Joins E. D. Baring-Gould

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, CALIF.—Cora M. Saxby has joined the the staff of E. D. Baring-Gould, 19 East Canon Pardido Street.

Mutual Funds

By HENRY HUNT

New Capitalists

"Doubtless many of our readers have read the recent article written by Mr. William Miller for "Life" magazine in which he points out that because of a shift in the national income of U. S. citizens, it has become increasingly necessary for a new group of people to provide the equity capital needed to keep American business on a progressive basis. The new group of people are those who were formerly a lower income group and have progressed to higher income brackets but have had little or no experience in the purchase and management of common stocks.

"No practical solution was given by Mr. Miller as to how a new and inexperienced class of investors could cope with the many problems of stock ownership, and it is perhaps for this reason that a reader of "Life" magazine was prompted to write the following letter to its editors:

" 'Mr. Miller missed completely the most significant development in the investment business—the phenomenal growth of mutual investment companies in recent years. Public confidence in professional investment management has climbed all the way back from its 1932 low ebb and today hundreds of thousands of new investors, mostly persons of modest means, are taking advantage of the "eggs-in-many baskets" principle of the investment trust.'

"The mutual investment company, for small and large investors alike, is of course an excellent medium for participation in common stock ownerships. It provides the element of safety which broad diversification and continuous supervision affords. Shares are readily available and readily marketable. Accordingly, if the new class of investors is to participate in common stock ownership thereby broadening the base of industry ownership and supplying needed equity capital, it would seem that mutual investment companies offer a very sound means of doing so."—From **Vance, Sanders** "Brevits."

Money Doesn't Last?

"Now even the government admits that your money doesn't last as long as it should. Experts say the special paper used for folding money should be allowed to age three months before engraving and another three months before it's issued. This aging, they say, makes the money wear better. Government stocks of paper dwindled so low recently that the Treasury had to print a lot of bills without letting the paper age properly. So, it isn't high taxes alone that keeps your money from lasting as long as it used to!"—From "The Mutual Investor."

Sixty Million Prospects Are Your Market

"A most significant development in the securities business in recent years is the huge new market for securities opened by Mutual Funds among our 60-million wage-earners. These Funds have attracted more than $1 billion of capital in the past eight years from investors and added over 400,000 new shareholders, many of whom are small wage-earners.

"The growth of these Funds has been gaining momentum each year. They are a boon to dealers whose older clients either don't trade stocks now or don't have any money left to invest after paying living expenses and taxes. Their few rich clients are principally interested in tax free securities.

"Today, more and more dealers are realizing that most wage-earners are prospects for Mutual Fund shares. They find these Funds are the best way to sell securities to the public, who has an aggregate of $130 billion in cash and bank deposits. Dealers can't afford to engage in campaigns to sell five shares of American Telephone & Telegraph common to the masses for a maximum net commission to the salesman of only $3 a sale. Even if they could, it would be unwise for the small investor who needs the protection of adequate diversification.

"This trend of obtaining risk capital from the small investor through the medium of Mutual Fund shares is attracting the attention of economists and editors. 'Fortune' magazine in the April issue and other publications, point out there is now a sound way to sell ownership in U. S. industries to the small investor fairly and profitably. The 'Fortune' article says: 'that way is through . . . the Mutual Fund. The advantage to small investor . . . is that he gets professional management for his money and does not have to put all his eggs in one basket. The advantage to the security dealer is that the sales commission on investment company shares is high enough . . . to make aggressive merchandising possible. The advantage to the market as a whole is that some new blood is pumped into its woefully anemic body'."—From "Wellington News."

The Doctor's Dilemma

We recommend your reading "Investing $20,000: A Case History," written by Professor Dewey and Instructor De Turo, members of New York University's finance department. It discusses the case history of a doctor who had $20,000 in idle cash. Reprints can be obtained from **Chemical Fund, Inc.,** 39 Broadway, N. Y. C. A short excerpt follows:

"Paul Harris was troubled. At 47 he had a solid, $12,000-net medical practice, a nine-room house free and clear, and only a mild systolic murmur. His life was insured for $35,000, plus enough in endowment policies to put his two teen-age kids through college. He had two cars in his garage and $10,000 of U. S. savings bonds in his safety deposit box. What bothered him was his bank balance: $24,000.

"The account, he knew, was top-heavy. A balance of $4,000, along with his government bonds, would be ample to meet ordinary contingencies. The remaining $20,000 was idle cash; and he was adding to it about $2,500 each year.

"The doctor's financial life had reached the menopause. He needed some kind of investment program. The phrase sent a little shiver up his spine."

Sixteen Prominent Personalities

[Last week we concluded our series of profiles on prominent personalities in the mutual fund business. In order of appearance, they were as shown below—Editor]

HUGH BULLOCK
President, Calvin Bullock

HERBERT R. ANDERSON
Executive Vice-President, Distributors Group

HARRY J. SIMONSON, JR.
President, National Securities & Research Corp.

HARRY I. PRANKARD, 2nd
President, Affiliated Fund

WALTER L. MORGAN
President, Wellington Fund

WOODFORD MATLOCK
President, Broad Street Sales Corp.

HUGH W. LONG
President, Hugh W. Long & Co.

GEORGE PUTNAM
Chairman, The George Putnam Fund

EARL E. CRABB
President, Investors Mutual

ARTHUR WIESENBERGER
Senior Partner, Arthur Wiesenberger & Co.

EDWARD C. JOHNSON
President, Fidelity Fund, Inc.

DOUGLAS K. PORTEOUS
Vice-President, The Cohu Corp.

S. WALDO COLEMAN
President, Commonwealth Investment Co.

CHARLES F. EATON, JR.
President, Eaton & Howard, Inc.

HENRY T. VANCE
Senior Partner, Vance, Sanders & Co.

WILLIAM A. PARKER
President, Incorporated Investors

With Marache, Sims Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Lester R. Walls has joined the staff of Marache, Sims & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Archie W. Linde is now with First California Co., 647 South Spring Street.

Graham D. Marshall Opens

(Special to THE FINANCIAL CHRONICLE)

BROOKLINE, MASS.—Graham D. Marshall is engaging in a securities business from offices at 29 Linden Street. He was formerly with F. L. Putnam & Co.

John B. Dunbar Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Jane R. Klock has been added to the staff of John B. Dunbar & Co., 634 South Spring Street.

Buying Agents See Business Rise

Robt. C. Swanton, in report of Business Survey Committee of the National Association of Purchasing Agents, says, however, there is much hesitancy in buying, due to recent price declines in basic materials.

According to a composite opinion of purchasing agents who comprise the Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Corporation, "a slight improvement in business, perhaps seasonal, is reported for April. Production increases are reported by 19% of the committee members, the largest number moving upward since October, 1948, and 48% are continuing to maintain previously reported production schedules. Backlogs of orders were also creeping up, with 23% showing some betterment and 40% holding even with last month. An interesting comparison of the reporters who showed production cuts in January, with their April positions, shows that only 31% have had further declines, while 69% of this group are up from the low of January. The back-order situation of the same group shows some strengthening, as 65% report an improvement.

Robert C. Swanton

"The trend of business, as seen by Purchasing Agents, is to level off for the present, with a possible pickup this summer or early fall. There is much hesitancy in buying, with markets being watched carefully, for a settling of prices reflecting recent basic material declines.

"A bright spot in the survey for April is the apparent increase in productivity. 76% report increased man-hour production, ranging all the way from very slight to very substantial improvement. No depression pessimism is reported, but a cautious attitude, closely measuring the effects of declining prices, is very evident.

Commodity Prices

"The long-expected buyers' market, which has been observable since November, really arrived in force during April. Most industrial commodities are down, with strong indications of further declines. Supply, generally, has caught up with demand—in many cases, at least temporarily, has passed it. The nonferrous group of metals carried the most pronounced price declines. These basic commodities are incorporated into so many other materials and fabricated items that a large segment of the industrial materials list will be influenced.

"We may expect to hear promptly proposals that the government subsidize high-cost producers of some of the metals.

"In studying markets, Purchasing Agents are aware there will be exportable surpluses from Europe as those countries gain economic stability.

Inventories

"Purchased industrial inventories took a sharp drop in April, as 60% reported declines. With practically all commodities in ample supply and declining prices, Purchasing Agents are taking a shorter position on inventory, working off higher-priced materials and adjusting stocks to lower operating levels. Inventory policy is reported to be very conservative.

Buying Policy

"'Hand-to-mouth to 60 days' is the predominant purchasing policy. Immediate availability of many materials, shorter commitment schedules on others, and the general price softening permit short-range procurement programs. There is some cancellation or deferment of longer-term commitments.

Employment

"The number on pay rolls remains about the same as March. Some industries are down—some are up. Shorter hours are generally reported. 76% of those reporting on productivity show an increase in man-hour output, lower labor turnover, less absenteeism, improved quality of workmanship. Several report that production on a 40-hour week equals the previous 45-hour week output. Others indicate there has been no increase and a few report decreases, pointing out that, where no incentive plan is used, employees are inclined to slow down and stretch out the available work.

Specific Commodity Changes

"Lead, copper and zinc headed the parade of price decline in April, followed by many products containing these basic materials. The long list of declines includes these important items: Alcohol, aluminum, asbestos, autos and trucks, burlap, brass, cable, castings, conduit, paper containers, copper, electrical equipment, food, forgings, coal, coke and oil, glycerin, iron, lead, lumber, mercury, nails, oils, paint, paper, pipe and fittings, platinum, synthetic resins, rubber, soap, some steel, tallow, textiles, tires, wire, zinc.

"*Up were:* Ammonia, cobalt, gasoline, shellac, turpentine.

"For the second month, no commodity was reported to be in critically short supply.

Canada

"General business in Canada, in April, differs considerably from that in the States. Production is higher; back-orders lower; inventories higher; employment increasing. Commodity prices have not moved down as rapidly as in the United States. Buying policy, a bit more liberal, though accent is on 'hand-to-mouth to 60 days'."

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Harral S. Tenney, Executive Vice-President of the **Marine Midland Trust Company of New York** announced on May 3 the election of Stuart G. McCampbell as a Director of the Bank.

* * *

Following a meeting of the directors of **Bank of the Manhattan Company, New York,** Mr. J. Stewart Baker, Chairman of the board, announced on April 30 that a special meeting of the stockholders of the company had been called for June 1, 1949, to consider a proposal to increase the capital of the company from $20,000,000 to $25,000,000 by the sale of 500,000 shares of new stock. It is the plan that the additional shares will be offered pro rata to the stockholders in the form of subscription warrants entitling stockholders to subscribe to one share of additional stock for each four shares of presently outstanding capital stock. The subscription price has not yet been fixed but will be determined by the board in the light of market conditions existing at or about the time of the offering; it is expected that it will be somewhat less than the market price of the stock at that time.

It is the company's present intention to have the offering to stockholders underwritten and negotiations regarding such an underwriting have been initiated with The First Boston Corp. which has expressed a willingness to head a group of investment bankers to purchase the shares not subscribed for by the stockholders.

Mr. Baker said that the business of the bank has expanded so rapidly that although it has added during the past ten years from its profits approximately $19,000,000 to its capital funds, they have not kept pace with the increase in its deposits. For this reason and in order to provide for the future growth of the bank the board of directors feels that it is wise to increase its capital funds at this time through the issue of additional stock.

For the quarter ended March 31, 1949, the net operating earnings of the company before recoveries and charge-offs amounted to $1,296,000, which compares with $1,390,000 for the corresponding quarter last year. Unless there is a marked change in the situation, Mr. Baker said that he felt the present quarterly dividends of 30 cents per share and the year-end dividend of 10 cents per share can be maintained on the increased capitalization.

* * *

Adam C. Heck of the commercial banking department of the **Chase National Bank of New York** won first award of $250 in the bank's annual Cannon Prize examination, it was announced on April 29, at the annual spring dance of the Chase Bank Club at the Astor Hotel.

Mr. Heck competed against 179 other members of the staff of the bank in the examination which covers general banking subjects. The prize has been awarded annually since 1925, except for a four year lapse during the war, from a trust fund established by Henry W. Cannon who served as President of the Chase from 1886 until 1904.

Nine other prize winners in order of their grades in the examination are Raymond T. O'Keefe, Herbert T. Erles, Jean M. Lindberg, Arthur Fitzpatrick, Thomas W. McMahon, Jr., Roy E. Alexander, Edward R. Mooney, Patrick J. Cullen and William B. Bateman.

The following new officers of the Chase Bank Club, a social and recreational organization for members of the bank's staff, were announced at the dance: John J. Skehan, President; William E. Gallagher, First Vice-President; Nicholas V. Lombardo, Second Vice-President; Lloyd E. Stanley, Treasurer, and Margaret A. Fischer, Secretary.

* * *

Irving Trust Co., New York, announced the following changes in its Domestic Banking Division—effective May 1, 1949. Philip F. Gray, Vice-President in charge of the Division since 1940, relinquishes that position to become senior loaning Vice-President of the company. Nolan Harrigan, Vice-President, for the past two years in direct charge of local banking business at the company's Main Office, succeeds Mr. Gray as Division head, thereby broadening his supervision to include all of Irving's business in the United States outside of New York City. Direct responsibility for local business in the Main Office will be assumed by Ben-Fleming Sessel, now Vice-President in charge of the Corporate Trust Division.

* * *

Directors of the **Bronx County Trust Company, New York** on April 26 elected Thomas P. Lynch as President. He succeeds the late Daniel J. Mahoney, who died on March 23 last. Mr. Lynch joined the Bronx County Trust Company as an Assistant Vice-President in May, 1934, was promoted to Secretary in June, 1938, became Vice-President and Secretary in July, 1944, and senior Vice-President in January, 1946. He was elected a Director last November.

* * *

Manufacturers Trust Company, New York, announced on April 25 that Walter W. Ross of the bank's Security Analysis Department has been promoted from Assistant Secretary to Assistant Vice-President.

Mr. Ross joined Manufacturers Trust Company in 1939 and was made an Assistant Secretary in 1945.

* * *

At a meeting of the board of directors of the **Lawyers Trust Company, New York,** held April 19, John T. Norton, loan clerk, was appointed an Assistant Secretary.

* * *

The **South Brooklyn Savings and Loan Association, Brooklyn, N. Y.,** will open another branch—its fourth office—on Thursday, May 12, at 1972 Eighty-Sixth Street, in the Bensonhurst section of Brooklyn, N. Y., it was announced by Andrew S. Roscoe, President.

As of April 1, 1949, the association reported total resources of $13,718,203.23.

Managing the Bensonhurst office will be Jack Schwartz. Assistant Manager will be Miss Carol A. Jeynes.

* * *

Everett M. Clark, an Assistant Vice-President of **Brooklyn Trust Company** and President of the Brooklyn Club, was re-elected President of the New England Society in the City of Brooklyn at the annual meeting of the Society held on April 19, at the Brooklyn Club, Brooklyn, N. Y.

Other officers re-elected were: First Vice-President, Alfred C. McKenzie; Second Vice-President, Hollis K. Thayer; Treasurer, Austin Tobey; and Secretary, Charles L. Livingston, Jr.

Walter St. John Benedict, Jr. was elected a director, filling a vacancy, and other directors were re-elected. They were: Dr. Joseph A. Burgun, Conrad Saxe Keyes, and Messrs. Livingston and Thayer.

* * *

Completed in the record time of seven months, the Flatbush Office of the **Bensonhurst National Bank, Brooklyn, N. Y.,** will open Wednesday, May 18, in the new building at the southeast corner of Flatbush Avenue and Linden Boulevard, Brooklyn, according to an announcement by Fred Kronish, President.

Harry D. Papenmeyer, formerly Vice-President and Cashier of the old Flatbush National Bank, will manage the Flatbush office and will head a staff of fifteen.

* * *

Nelson W. Thomas of Melrose Highlands, was elected on April 22 an Assistant Treasurer of the **State Street Trust Company, Boston, Mass.** Mr. Thomas will continue at the Union Trust office where he has had long experience in the Foreign Department.

* * *

Malcolm W. Lehman, Vice-President, was elected President of the **Pittsfield National Bank, Pittsfield, Mass.,** on April 20, to succeed Kingsbury S. Nickerson, resigned, according to a special dispatch to the New York "Times" from Pittsfield, Mass., on April 20. Mr. Lehman is President of the Berkshire Clearing House Association. He has been with Pittsfield National for 34 years.

* * *

Will A. Thener, Vice-President of the **National State Bank, Newark, N. J.,** has celebrated his 60th anniversary with the bank, according to the Newark "News" of April 24 which also said:

Mr. Thener is a charter member of the New Jersey Bankers Association Half-Century Club and will be honored with others at the Association's Convention in Atlantic City on May 13.

* * *

Formal consolidation of the businesses of **Tioga National Bank and Trust Co., Philadelphia, Pa.,** and **Second National Bank of Philadelphia, Pa.,** has become effective as of April 30, 1949. The banking quarters formerly occupied by Tioga were opened for business May 2, 1949 as the Tioga office of Second National Bank.

This consolidation brings total resources of Second National Bank of Philadelphia to $26,000,000 with deposits of approximately $24,000,000, and capital, surplus and undivided profits and reserves totaling about $1,900,000.

James P. Tyson, formerly Cashier and Trust Officer of Tioga, will become Assistant Vice-President of Second National and James A. Lombardi and LeRoy P. Everett, formerly Assistant Cashiers of Tioga, will become Assistant Cashiers of Second National.

Wesley S. Smith, one of the founders of Tioga National in 1926 and its President since 1933, will retire from the banking business upon completion of his activities as a liquidating agent.

* * *

Frederick Moosbrugger, Treasurer of the **Liberty Title and Trust Co., Philadelphia, Pa.,** with which he had been associated for 58 years, died April 22 at his home, according to the Philadelphia "Inquirer" of April 23, which also said:

"Mr. Moosbrugger was 77.

"Mr. Moosbrugger progressed through the ranks as receiving teller and paying teller, and in March, 1914, was elected Treasurer. The following February he was named a member of the board of directors of the bank."

* * *

"Thomas W. Gormly has been named Assistant Vice-President of **Peoples First National Bank & Trust Co., Pittsburgh, Pa.** He has been an Assistant Cashier since 1947. He began his banking career with the same organization in 1925 when 16 years old." The above is from the Pittsburgh "Post Gazette" of April 25.

* * *

As a result of the sale of new stock, **The First National Bank of Coaldale, Pa.,** has increased its common capital stock effective April 12 from $75,000 to $100,000 according to the April 18 Bulletin of the Office of the Comptroller of the Currency.

* * *

Barnum L. Colton assumed on April 15 the duties as President of the **National Bank of Washington, Washington, D. C.,** it is learned from the April 26 issue of the Washington "Post," which also added:

"Mr. Colton, former Vice-President of the National Savings & Trust Co., succeeded J. Frank White who is now Chairman of the board.

"The change in President followed acquisition of stock control by new interests. Identity of the new owner or owners has been shrouded in mystery."

* * *

A. M. Strong, Vice-President, **American National Bank and Trust Co. of Chicago,** was elected a member of the board of directors of the Bankers' Association for Foreign Trade at their annual meeting in Asheville, North Carolina.

* * *

Appointment of Hugh B. Dunbar, former Vice-President of the Industrial National Bank of Detroit, as Vice-President of **Detroit's New City Bank,** was announced on April 26 by Joseph F. Verhelle, President.

Dunbar will handle dealers' accounts in home modernization loans, automobile financing and all types of personal loans, Mr. Verhelle said.

He resigned his post as Vice-President of that bank to join the City Bank.

* * *

The board of directors of the **Federal Reserve Bank of St. Louis** announced on April 26 the election of Charles G. Young, Jr., as Counsel for the bank.

* * *

The Tootle-Lacy National Bank of St. Joseph, Mo., has increased its common capital stock effective April 19 from $200,000 to $325,000 by a stock dividend and from $325,000 to $350,000 by sale of new stock, according to the April 25 Bulletin of the Office of the Comptroller of the Currency.

* * *

Walter W. Smith, 72, Chairman of the board of the **First National Bank in St. Louis,** died on April 26 at Barnes Hospital according to an Associated Press dispatch from St. Louis on April 26 which went on to say: Mr. Smith was President of the bank for 20 years. He became board Chairman last year.

Walter Winfred Smith was a member of the original board of directors of the Federal Reserve Bank of St. Louis and later served as the President of Federal Advisory Council of the Federal Reserve System.

* * *

The First National Bank at Orlando, Fla., has increased its common capital stock effective April 12, from $400,000 to $500,000 by a stock dividend, according to the April 18 Bulletin of the Office of the Comptroller of the Currency.

* * *

As a result of a stock dividend effective April 12, the common capital stock of the **First National Bank of Midland, Texas,** was increased from $300,000 to $400,000, it is learned from the April 18 Bulletin of the Office of the Comptroller of the Currency.

* * *

The First National Bank of Tulia, Texas, has increased its common capital stock effective April 13 from $50,000 to $100,000 by a stock dividend, it is learned from the April 18 Bulletin of the Office of the Comptroller of the Currency.

* * *

Directors of **Farmers & Merchants National Bank of Los Angeles, Calif.,** on April 20, accepted the resignation of J. M. Hutchison, Vice-President, effective April 30, next, at which time he will have completed 55 years with the bank. Hutchison will remain a member of the board of directors. The above was taken from the Los Angeles "Times" of April 21.

* * *

The "Tulare County National Bank of Visalia," Calif., was issued a charter on April 15, according to the April 18 Bulletin of the Office of the Comptroller of the Currency. Capital is $150,000, and H. Gallagher is President and C. T. Bachman, Cashier.

* * *

The **Anglo California National Bank, San Francisco, Calif.,** will immediately start construction of a distinctive new home, with drive-in facilities, for its East Bakersfield office, Allard A. Calkins, President, announced on April 29.

The new quarters will be located on Kentucky Street between Baker and Kern Streets in Bakersfield.

Assets of the 76-year-old institution approximate one-half billion dollars, and its depositors number about 200,000.

* * *

At a stockholders' meeting in Milan, Italy, on April 9, the **Banca Commerciale Italiana,** a recommendation for increasing the capital stock of the bank was approved, it was made known on April 23 by Giorgio Di Veroli, New York representative. The capital stock will be increased from 700 to 2,450 million lire through the issue of 3,500,000 new shares of 500 lire each, par value, dated Jan. 1, 1949, issued at par plus a premium of 75 lire per share and offered to the shareholders on the basis of five new shares for every two old shares. The premiums paid on the new capital stock will be allocated to surplus, which will thus be increased to 550 million lire.

The net profit for the year 1948 is 69,137,007 lire.

A dividend to the stockholders of 6% (42,000,000 lire) was also declared.

* * *

The Exchange Bank of India and Africa, Inc., Bombay, India, suspended payments on May 2 and closed all its offices in India, according to Associated Press advices from Bombay, India, on May 2, which added:

A notice posted at the doors of the bank's main office here, where a large line of depositors had formed, said the bank "is temporarily unable to meet its obligations."

Three With R. H. Johnson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Phillip E. Levy, Monte Nelson and Arthur D. Noble have become associated with R. H. Johnson & Co., 30 State Street. Mr. Noble was formerly with J. Arthur Warner & Co. for many years.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Tryouts of the Security Traders Association of New York golf team will be held Wednesday, May 11 at the Richmond County Country Club in Staten Island. All members wishing to participate are requested to get in touch with the following members of the Committee: Addie Donnelly, Reynolds & Co.; Gerry Kane, F. C. Moore & Co.; or Lary Wren, Allen & Co. Reservations should be in by May 5.

DETROIT BROKERS' BOWLING LEAGUE

Activities have resumed a normal tempo in Detroit's financial center, following the conclusion of the Detroit Brokers' Bowling League, with McDonald, Moore & Co. returned the winner. The battle for League honors and the Michigan Investor Trophy was a hotly contested affair, which resulted in a three-way tie for first place on the final night of bowling, with McDonald, Moore & Co. finally emerging the victor over Wm. C. Roney & Co. (Red) and Wm. C. Roney & Co. (Blue). Last year's winner was the First of Michigan Corporation. Winning team members are: Herve Hutchison, Alex McDonald, Bruce Brydges and Jess Worboys, all of McDonald, Moore & Co., and Don Miller, of Titus, Miller & Co. The League is composed of 14 teams sponsored by the Securities Traders' Association of Detroit and Michigan.

The Annual League Banquet was held at the Savoyard Club on May 4.

Detroit Brokers' Bowling League
Final Standings 1948-1949

	Points
1—McDonald, Moore & Co.	80
2—Wm. C. Roney & Co. (Red)	78
3—Wm. C. Roney & Co. (Blue)	78
4—Paine, Webber, Jackson & Curtis	72
5—Reid & Co.	72
6—Bailey & Co.	63
7—First of Michigan Corporation	62
8—Goodbody & Co.	61
9—Geo. A. McDowell & Co.	59
10—Smith, Hague & Co.	58
11—Detroit Stock Exchange	57
12—Crouse & Co.	55
13—Chas. A. Parcells & Co.	51
14—Cray, McFawn & Co.	50

High Scores

	Name	Pins
Team High—One game	First of Michigan Corp.	942
2nd Team High—One game	Wm. C. Roney & Co. (Blue)	932
Team High—Three games	McDonald, Moore & Co.	2591
2nd Team High—Three games	Paine, Web., Jakson & Curtis	2557
Individual High—One game	R. Kuhnlein—Goodbody & Co.	259
2nd Individual High—One game	R. Kuhnlein—Goodbody & Co.	255
	*R. Wallace—Roney & Co.	255
Individual High—Three games	*R. Wallace—Roney & Co.	631
2nd Individual High—Three games	R. Kuhnlein—Goodbody & Co.	631

*Red.

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold its annual outing at the Hillendale Country Club on May 20. Golf and special events have been scheduled for the day.

J. Carl Frank, John C. Legg & Co. is Chairman of the outing committee, and Bill Herr of Alex. Brown & Sons is in charge of reservations. Member tickets are $4 and guest tickets $6. Guest tickets may be obtained from Mr. Frank.

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

Tuesday, June 28, has been chosen as the date of the annual Summer Party of the Securities Traders' Association of Detroit and Michigan, to be held at the Lochmoor Club, Grosse Pointe Woods, Mich. The entire day will be devoted to golf, dinner and various activities, with money awards being made. Guest tickets are available at $12.50 from Minton Clute, Straus, Blosser & Co., 1546 Penobscot Building, Chairman of the Arrangements Committee. H. Terry Snowday, E. H. Rollins & Sons, is President of the Detroit Association.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles will hold their annual spring party on June 24, 25, and 26, 1949 at the Arrowhead Springs Hotel.

BOSTON SECURITY TRADERS ASSOCIATION

The 30th Annual Outing and Golf Tournament of the Boston Securities Traders Association to be held at the Weston Golf Club, Weston, Mass., on Thursday, June 9, 1949.

Sumner R. Wooley, Coffin & Burr, Incorporated, is Chairman of the Outing and Golf Committee.

Mineral Investment Corp.

NEW ORLEANS, LA.—Mineral Investment Corp. has been formed with offices at 317 Baronne Street to engage in a securities business. Officers are E. T. Colton, President; Henry Boh, Vice-President; D. B. Lawrence, Secretary-Treasurer; and Milton Monlezun, Assistant Secretary-Treasurer.

With Boardman & Freeman

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — Thomas E. Day, Jr., Francis E. Herrick, Leon W. Pillsbury, and Ezra B. White have become associated with Boardman & Freeman, Inc., 75 Federal Street, Boston. All were formerly with R. H. Johnson & Co.

Salomon Bros. Group Offers Rochester Gas & Electric Preferred

An underwriting group headed by Salomon Bros. & Hutzler is offering today (May 5) 50,000 shares Rochester Gas & Electric Corp. 4¾% preferred stock, series G (par $100) at $102 per share and accrued dividend. The issue was awarded to the group May 3 on its bid of 100.177 per share.

The proceeds from the sale of the new preferred stock and the new bond issue of $16,677,000 (sold to the public April 21 last) will be applied toward the cost incurred since Jan. 1, 1947, of the company's construction program.

Joins Otis Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Fred W. Staffeld has joined the staff of Otis & Co., Mercantile Library Building.

Edward A. Berk Opens

(Special to THE FINANCIAL CHRONICLE)

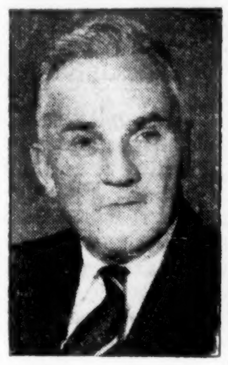
CLEVELAND, OHIO—Edward A. Berk is engaging in a securities business from offices in the Guardian Building.

LETTER TO THE EDITOR:

Bargeron Answers TVA

Editor, Commercial & Financial Chronicle:

The letter from W. L. Sturdevant, Director of Information for the TVA ["Chronicle" of April 28, page 13] regarding my article of April 7, is typical of the evasiveness and trickiness of this crowd.



Carlisle Bargeron

He does not deny, though he would like to give the impression he is denying, my statement that neither water nor steam power from TVA built the atomic bomb, that it was built by Oak Ridge's own steam plant. He does not deny my statement that the repeated assertions that had it not been for TVA the atomic bomb could not have been built are wholly untrue and have been purposefully made as a part of the propaganda for public power projects.

He does say that Oak Ridge has always gotten some power from TVA, that it had a contract with TVA as of last June for 225,000 kilowatts. This compares with the capacity of the Oak Ridge steam plant of 275,000 kilowatts.

Interestingly enough, Oak Ridge has been planning quite an expansion of its steam plant capacity. However, in the recent debate in Congress over an appropriation for TVA to build a steam plant at Johnsonville, Tenn., the proponents jubilantly displayed a letter from the Atomic Energy Commission to the TVA saying it had come to the conclusion that it would be better to gets its additional power from TVA provided, of course, TVA could get additional facilities. It was obviously a case of the AEC playing ball with TVA.

CARLISLE BARGERON

112 Summerfield Road,
Chevy Chase 15, Md.
April 27, 1949

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Business Conditions in Southern California—Summary—Security-First National Bank of Los Angeles, Los Angeles, Calif.

Cotton—Memorandum—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Economic Recovery of Europe and the ultimate effect upon government bonds of Great Britain, Belgium, Sweden, Netherlands, Norway and Denmark — New study—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Fire and Casualty Insurance Stocks Manual—1949 Edition—White & Co., Mississippi Valley Trust Bldg., St. Louis 1, Mo.

Insurance and Bank Stock Evaluator—Comparative analysis of 70 insurance companies and 39 banks—Blair & Co., Inc., 44 Wall Street, New York 5, N. Y.

Also available is an analysis of **Aetna Insurance Co.**, a detailed memorandum on **Iowa Southern Utilities Co.**, and a leaflet of insurance miscellany.

Insurance Stock Analyzer—Data on 76 companies—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

New York City Bank Stocks—Comparison and analysis as of March 31 of 19 bank stocks—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Industrial Stock Index—Booklet recording 10-year performance of 35 industrial stocks—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Public Utility Company Common Stocks—Fourth edition of Price Earnings Ratios revised April 1, 1949—Stroud & Co., Inc., Philadelphia 9, Pa.

Security and Industry Survey—Quarterly issue of an analytical guide for investors—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

* * *

American Telephone & Telegraph Co.—Table of related values—First Boston Corp., 100 Broadway, New York 5, N. Y.

Bank of the Manhattan Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a discussion of the position of **U. S. Treasury Bonds.**

Bluefield, W. Va., Automobile Parking Building Revenue Bonds—Analysis—Scott, Horner & Mason, Inc., Krise Bldg., Lynchburg, Va.

Buffalo Bolt Co.—Memorandum—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Bulolo Gold Dredging Ltd.—Memorandum—Bacon, Stevenson & Co., 39 Broadway, New York 6, N. Y.

Derby Gas & Electric Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Electric Bond & Share Co.—Memorandum—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

Also available is a leaflet of comment on current **Market** conditions.

Industrial Brownhoist Corp.—Analysis—Gottron, Russell & Co., Union Commerce Bldg., Cleveland, Ohio.

Kansas City Southern Railway Co.—Bulletin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Kerr McGee Oil Industries, Inc.—Circular—Straus & Blosser, 135 South La Salle Street, Chicago 3, Ill.

Missouri Pacific—Circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

National Biscuit—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is a discussion of **Chrysler vs. General Motors.**

Pacific Intermountain Express—Analysis—Stone & Youngberg, Russ Bldg., San Francisco 4, Calif.

Pinellas County, Fla.—Circular—Allen & Co., 30 Broad Street, New York 4, N. Y.

Plomb Tool Co.—Analysis—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Public Service Co. of Indiana—Analysis—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

Thiokol Corp.—Late news—Butler, Moser & Co., 44 Wall Street, New York 5, N. Y.

United States Steel—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Duffy & Wheeler With Ames, Emerich & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Frank X. Duffy and J. Russell Wheeler have become associated with Ames Emerich & Co., Inc., 105 South La Salle Street, members of the Chicago Stock Exchange. Mr. Duffy was formerly with Fred W. Fairman & Co., Holley, Dayton & Gernon, and Brailsford & Co.

Canadian Securities

By WILLIAM J. McKAY

British and Canadian hopes of vindication of their adamant foreign exchange policies have been pinned largely on expectation of a continuance of U. S. inflationary pressures. These hopes intermingled perhaps also with a degree of wishful thinking have been sustained until recently by misleading prognostications of the economic trend emanating from a high level here. In other words a depreciation of the U. S. dollar would take care of the overvaluation of sterling and would also sustain the Canadian dollar at its present parity.

Recent events however have thoroughly demolished the theories based on these premises. Doubts abroad that have persisted over many years concerning the stability of the U. S. economic structure have once more been confounded by the irresistible might of American industrial production. On the other hand the abrupt change from a seller's to a buyer's market throws into sharp relief the artificiality of the current level of sterling and other overvalued currencies.

Sir Stafford Cripps has just denied any intention on the part of Britain to abandon the maintenance of the sterling peg at $4.03 or hold out any hope of the early convertibility of sterling. As this statement was made on the eve of the opening of the British Industries Fair any other reply was inconceivable. Meanwhile however the Secretary of the Treasury Snyder bluntly states that without currency devaluation to a reasonable level Europe can not expect to find adequate export outlets in the United States.

Across the border in Canada the Canadian Exporters' Association in a lengthy brief submitted to the Prime Minister, Trade Minister Howe, and the Leader of the Opposition, George Drew, takes the Liberal government to task for its inaction in face of a threatened sharp decline in the volume of Canadian exports. At the same time representatives of the pulp and paper industry, thoroughly alarmed by the bleak market outlook for their product, are recommending the devaluation of the Canadian dollar in order to maintain export markets. There is little doubt that in the anticipated event of the devaluation of the Swedish kronor, pressure on Ottawa to take similar action would be greatly intensified. It has to be borne in mind that Canada and Sweden acted in unison to raise the value of their currencies, and both countries almost immediately found cause for regret following that precipitate action.

Now that the voice of Canada's greatest export industry has been added to that of the gold-mining interests an important political issue is injected into the Dominion election campaign which will be decided on June 27 next. Already the Conservative opposition has publicly indicated its intention, in the event of success at the polls, to remove exchange restrictions and permit the dollar to find its natural level. Confronted with the now obvious deflationary economic trend it is still not too late for the Liberal government to steal the thunder of its opponents. Such a step would be entirely logical moreover as the dollar was previously revalued following fears of inflationary pressures; with deflationary forces now predominant devaluation of the currency should at least receive consideration.

Whether or not efforts are made to anticipate inevitable events the present economic trend is likely eventually to exert an overwhelming influence. Despite continued official references to the favorable trade statistics of 1948, current figures now clearly show that 1949 marks a new era. Stubborn refusal to face the economic facts can only lead to enforced hasty action that will make the inevitable adjustments all the more painful.

During the week there was a little more activity in the external section of the bond market. The internals on the other hand were neglected although prices were marked up slightly in sympathy with the strength of free funds. The corporate-arbitrage rate at 11½% — 11% was also slightly firmer. Stocks were generally lower with the paper issues suffering a severe decline. Basemetals also were under pressure. Even the golds were unable to resist the downward pressure although some recovery was registered in later sessions. Western oils provided the only firm feature on continue favorable reports from the new Alberta fields.

N. Y. Securities Dealers Elects Morris, Murphy

David Morris, of David Morris & Co., has been elected President

David Morris — Walter Murphy, Jr.

of the New York Securities Dealers Association, succeeding George Guyer, and Walter Murphy, Jr. of Walter Murphy, Jr. & Co., has been elected Vice-President.

Francis I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—James P. McCausland has become associated with Francis I. du Pont & Co., 1010 Euclid Avenue. He was formerly with Ball, Burge & Kraus and in the past with Merrill Lynch, Pierce, Fenner & Beane.

The Saint Lawrence "Duplicity" Project

By CARROLL B. HUNTRESS*
Vice-President, Republic Coal & Coke Co.
Chairman, National St. Lawrence Project Conference

Mr. Huntress condemns St. Lawrence power and navigation project on ground it is not a dual-purpose project but a "duplicity" project and will mean a new TVA. Says it and other government power schemes are "leaping forms" of socialism and will destroy individual initiative, resourcefulness and devotion that comes from living within framework of freedom. Denies project will aid national defense and warns it will reduce Atlantic ports business and cause geographical relocation of industries.

A more favorable forum than the metropolis of the Free State of Maryland for an exposition of the St. Lawrence scheme is not presently known. Over the years, in holding the lines against assaults of the minions of government subsidy, the efforts of labor and business interests of this State have been highly effective. City and State officials and the members of the Maryland Congressional Delegation constitute a mighty bulwark.

Carroll B. Huntress

On the floor of the U. S. Senate last year, Senator Tydings and Senator O'Conor vigorously fought the St. Lawrence Project measure, then known as S. J. R. 111, and contributed greatly to the outcome, recommittal of the measure to the Senate Foreign Relations Committee by a vote of 57 to 30. The senior Senator from Maryland is now one of the 13 members of that Committee, to which the next Senate proposal will be referred. The several bills, already introduced in the House, have been referred to the Public Works Committee, of which Representative Fallon, Baltimore, and Representative Beall, Frostburg, are two of the 27 members.

The damaging effect the navigational phase of the project would have on the Port of Baltimore has been lucidly portrayed before Congressional Committees by Executive Vice-President Pouder of the Association of Commerce. At a Senate hearing in 1946, Mr. Pouder stated that, using formulas of a Department of Commerce survey, there was indicated a prospective diversion from Baltimore of 1,056,077 short tons of cargo, or 9.2% of the average annual foreign and coastwise traffic of the port for the ten-year period of 1928-37, inclusive. Port workers, numbering 15,000, and investment in port facilities, amounting to $200 million, would be adversely affected.

To the power phase of the project less attention in this territory has been given. In a kind letter of instruction, your President, Mr. Hughes, made reference to a multi-purpose project, namely, Raystown, right in your own back yard. Now there's one of those things in the neighborhood from which I originally came—Northern New York State.

As the St. Lawrence proposal is ostensibly designed to develop both power and transportation, I had thought of it as a dual-purpose project. Recently I have learned that this designation has gone out of fashion and that all these things are now dubbed multi-purpose jobs. It seems that the planned-economy boys feel that alliterative similarities too closely point the fact that a dual-purpose project might more properly be called a duplicity project. In a very real sense that is the case on the St. Lawrence; as it was in the Tennessee Valley, where the lately canonized Senator Norris gave his famous dictum, "We must make it hang on navigation."

And now look at the thing! None can be so naive as still to believe that the Tennessee Authority is anything much beyond a power project in its primary objective. The little two-and-one-half million dollar opener for the New Johnsonville game tells the world what's being played for—and with deuces wild.

There is nothing against multi-purpose developments, as such, provided the purposes are honest and justified. There is everything against a plan which is sold to the public as a navigation, an irrigation, or a flood project when the real objective is to put government into the business of developing public power; when beyond that is the purpose to spread the tentacles—euphemistically called transmission lines—over the economy of an area embracing many states to the destruction of the enterprise processes which have made this country. In the St. Lawrence project, a non-revenue producing function, transportation—the tolls proposal is merely a red herring—is arbitrarily assigned an investment burden way beyond even its speculative value to the community, in order to make it seem that collectivism can produce energy more cheaply than it could be produced in the same physical development in the hands of private enterprise.

If anyone doubts the interest of the apostles of public power to blanket the nation with regional agencies, a program which would obliterate the sovereign states, let him cast his eye around from the Passamaquoddy and the St. Lawrence down through the Tennessee Valley, to the Southwest, out to Boulder, north through Hetch-Hetchy to Bonneville and Grand Coulee, east to Fort Peck, through the Missouri Valley, with a few little fill-ins here and there and a few fringe areas which can be taken over once the collectivists have established their framework.

The private power industry has built networks for the correlation of steam and hydro energy to the point where diminishing returns begin to figure. But that isn't enough for the public power advocates. They want super-networks whereby the whispering pines of Maine can be heard on the wooded slopes of Oregon, and the sunny Savannahs of the smiling South sing to the frigid regions of the frozen North.

A Phase of Creeping Socialism

Already they are pretty well on their way. A common phrase nowadays is creeping socialism, but it doesn't describe public power. That is definitely a leaping form of socialism. Twenty years ago the public power boys had in their hands 6½% of the electric generating capacity of the country. Today they have 20%. The change has come about while

(Continued on page 32)

*An address by Mr. Huntress at the 25th Anniversary Meeting of the Maryland Utilities Association, Baltimore, Md., April 22, 1949.

Socialization and Free Markets

By RICHARD F. UHLMANN*
President, Chicago Board of Trade

President of Chicago's grain exchange characterizes Secretary Brannan's proposed farm program as "an adroit appeal to all groups," which actually will leave the taxpayer between the various subsidized groups and bearing the brunt of financial punishment. Decries legislators' unfamiliarity with our great marketing system, whose free play is indispensable to our democracy and welfare.

I am happy to appear today before so many prominent security analysts to discuss the Chicago Board of Trade which has played such an important part in the marketing of grain during the past century. The production and distribution of food is the world's largest industry, and likewise in recent years it has become for many countries the world's greatest economic headache. Even in the United States, which is the wealthiest nation on earth, about one fourth of all the economic effort is devoted to this basic want, while elsewhere, and particularly in the poorer half of the world, a larger part of people's time is sometimes engaged in a futile effort to maintain an adequate diet. The marketing of grain has been considered in all countries and in all times as a matter of grave public concern. I often think what a pity it is that our legislators are not more familiar with the functions of our great marketing system. If they were, they could doubtless be more sympathetic with our problems, and could cooperate better toward a proper understanding of the farmers' requirements.

Richard F. Uhlmann

Few people realize the low handling cost of getting grain from the producer to the consumer. It is lower than the cost of moving any other standard food product. This low cost is directly related to the method of handling grain on an organized Exchange, and particularly to the process of hedging on a broad, open market.

In recent years the great central markets have reached an importance in the distribution of food supplies never before attained. It was not mere accident that the Chicago Board of Trade became the world's greatest grain market. Its geographical location had much to do with it. Not only is Chicago the greatest railroad center in the world, but it also stands at the head of Lake Michigan, where commerce may be carried on with many parts of the country at a minimum of cost. Tributary to that city is an empire of the world's best agricultural land. As much as 400 million bushels of grain have been received in Chicago in a single year. Thus, it was due to natural economic evolution that large grain warehouses were built there, and one of the most important cash grain markets developed. The public sometimes overlooks the low cost of the Chicago market compared with the service rendered. The mechanism runs so smoothly that much is taken for granted, but in each day's trading session hundreds of problems are solved, and with practically no confusion hedgers, speculators, and millers all meet for a common purpose. When we have rigid controls or support prices, we find that even great governments like ours are apt to make mistakes in judgment, despite the fact that they have the best information at their disposal, and moreover, competent advice is always available. It is not possible for any one man or any one agency to know all the answers. Obviously, it is impossible to weigh each factor in the national and international field to judge correctly all the delicate phases of the seasonal demand and supply factors. It is like an algebraic equation with too many unknowns. For example, sunshine and rain, frost and heat, rust and insect damage, are daily adding to or subtracting (in some part of the world) from the world's future wheat supplies. These are the risks against which the farmer often wishes to insure himself. The merchant cannot afford to assume them, but through a futures market they can be passed along to others, who are willing to bear these economic risks.

The futures markets in this country with their hedging facilities have performed a wonderful service to the public during the past century. A good many people have a misconception about their operations, failing to realize that these various markets merely furnish a place to trade, but in affording such accommodations, they provide a means whereby those who handle grain may sell the risks of market fluctuations to others who have the capital and the temperament to assume them. In other words a futures market is just as essential as fire insurance to a merchant, and certainly is as important as Lloyds' is to the shipping trade, and is as honorable as either of them.

The rules governing futures

(Continued on page 41)

*A speech of Mr. Uhlmann before New York Society of Security Analysts, April 28, 1949.

Public Utility Securities

By OWEN ELY

Consumers Power Co.

Consumers Power is currently selling on the Stock Exchange at $35\frac{1}{2}$ to yield 5.63%, based on the $2 dividend. The Company, which is a sibsidiary of Commonwealth & Southern, ranks among the largest utility companies, having revenues of $86 million in 1948. Following is the common stock record since 1938:

Year	Revenues (Mill.)	Share Earnings	Dividends Paid	Approx. Range
1949 to date			$0.50	36—31
1948	86	$2.45	2.00	36—29
1947	77	2.81	2.00	38—30
1946	68	2.84	1.75	38—36
1945	61	1.09	1.00	*
1944	56	1.00	1.00	*
1943	57	1.22	1.00	*
1942	52	1.15	.75	*
1941	50	1.63	1.18	*
1940	45	2.08	1.30	*
1939	41	1.72	1.13	*
1938	37	1.59	1.00	*

*No stock in hands of public.

In the 12 months ended March 31, 1949 share earnings were $2.55 on the average number of shares outstanding during the period (or $2.41 on actual shares outstanding), compared with $2.82 previously. In the month of March the company's revenues were about 6% over last year and net income was up about 15%. However, for the March quarter net gained less than 1%.

The company serves a substantial part of the lower peninsular of Michigan, its customers being located in 56 of the state's 83 counties. The interconnected electric system includes eight steam plants with capacity of 662,000 kilowatts and 43 hydro plants with capacity of 148,000 kilowatts or a total of 810,000 kilowatts. The company is also interconnected with Detroit Edison and Michigan Public Service Company.

Of the 1948 revenues about 79% were obtained from electricity, 19% from gas and 2% from heating, water and miscellaneous. One thousand two hundred and eighty-four communities are served with electricity and 254 with gas; the total population served approximates 1,800,000. Consumers' natural gas supply comes principally from Texas and the mid-continent fields, with a small amount obtained locally. While most of the local fields are now pretty well played out, the partially depleted wells in two large fields are being put to good use; extra gas received by pipeline during the summer is stored in these fields, and used in the winter to help take care of peak demands. A separate company was formed for this purpose, Michigan Gas Storage Company, in which Consumer's has a 75% stock interest and Panhandle Eastern Pipeline a 25% equity. Although not fully developed, this storage project has been in operation since 1947.

Like other Commonwealth system companies, Consumers Power has extremely low residential rates—less than $2\frac{1}{2}$ cents in 1948 compared with an average of over three cents for the United States. Usage per residential customer has advanced to around to 2,200 kwh. per annum or roughly 50% above the U. S. average. The company serves more farm customers than any single untility company in the country, the total exceeding 98,000, with average annual use of over 3,000 kwh. About 95% of all farms in the service area are connected.

Consumers has had a heavy construction program, spending over $40 million last year for electric facilities alone. A new 50,000 kilowatt unit went into service in April and two 60,000 kilowatt units went "on the line" in November and December. Two more 60,000 kilowatt units are expected to go into service this year and others are to be constructed over the next three years.

The new B. C. Cobb plant was recently dedicated, with a special party of officials, bankers and press representatives going from New York to join the big local delegations. The Greater Muskegon Chamber of Commerce and the Westinghouse Electric Company joined with the Consumers and Commonwealth companies to make the celebration a notable one. Addresses were made by President Whiting, former President Cobb, Governor G. Mennen Williams and President Read of the Foundation for Economic Education.

The new Cobb plant, about 12 stories high and covering a ground area of nearly 40,000 square feet, is streamlined in arrangement and the liberal use of aluminum paint affords an attractive modern decor. The boilers operate at 900 pounds pressure and 900 degrees temperature. Hydrogen cooling and other modern methods should insure capacity well in excess of the rated 60,000 kilowatts per unit (two units are now in operation and a third is scheduled for 1950). Coal, brought right to the plant-side by Great Lakes boats, is conveyed into the building on a belt nearly one-quarter mile long (pulverized as fine as talcum powder and blown into the furnace where it burns in suspension like a gas). The plant uses 10 million gallons of water per hour—more than the City of Muskegon consumes in a day.

In order to help to finance its construction program, the company in 1948 sold 200,000 shares of its $4.52 preferred stock and also sold to its own stockholders 421,144 shares of common stock at $33 a share. Details of financing this year's $46 million construction program, as announced in January, have not yet been formulated: with net current assets of about $23 million Jan. 1, and a debt ratio of less than 50%, the company can finance temporarily through cash and bank debt if it desires.

In order to maintain earnings at a level which will help finance completion of its construction program, the company has asked the Public Service Commission of Michigan for upward revision of its electric and gas rates. The Commission recently granted a gas increase of $1,800,000 vs. $4,800,000 requested, and the company has asked for a rehearing. The application for an electric increase is still pending.

Strategic Factors in Business Outlook

By J. MARVIN PETERSON*

Director of Research, Federal Reserve Bank of Minneapolis

Dr. Peterson, after reviewing causes of postwar inflation and business boom, lists as strategic factors in avoiding severe depression: (1) reducing prices and unit profits, accompanied by increased productivity so as to encourage consumer purchasing; (2) sustaining rate of business investment expenditures; and (3) maintaining props which government has already built under the economy. Stresses sound banking situation as factor of economic strength, and calls for cooperation, wisdom and statesmanship to preserve our free economy.

It seems appropriate to discuss with you today (1) the factors that produced the postwar inflation, (2) an interpretation of the present business situation, and (3) the strategic factors in the business outlook. If you were required to write on a clean slate a series of sentences describing the factors that produced the postwar inflation in the United States, what would you write? Here are some statements describing the factors that produced the known result:

(1) The war required our economic system to produce more goods than it ever produced before. The larger part of these goods were made unavailable for consumption since they were destined to be destroyed in the wastes of war. Income, however, was generated by total production, not only that part of it which entered the market for purchases and sales. Income, thereupon, far outstripped the supply of goods at the wartime price level. The pressure of high income on prices was checked by various controls during the war years. In the postwar years the lid on prices which had been weakened in the black markets during the war years, snapped with a resounding boom.

(2) The money supply in the hands of the people at the war's end was created by the processes of double-entry bookkeeping in our streamlined monetary and banking system. The active money supply—coins, currency, and adjusted demand deposits of commercial banks — swelled from $45.5 billion on June 30, 1941 to $102.3 billion on Dec. 31, 1945. In addition, time deposits rose from $27.9 billion to $48.5 and Federal securities held by nonbank investors, exclusive of those held by United States Government investment accounts, increased in the same period from $25.0 billion to $163.6 billion. These figures add up to an increase of $216 billion in currency, deposits, and monetizable Federal securities.

(3) The reconversion of our production machine from a wartime to a peacetime basis was amazingly swift. Business expenditures for reconversion, apart from their desirability, were an inflationary force as long as they lasted.

(4) We tried and pretty much succeeded in catching up with all kinds of accrued deficiencies in the short period of three years. In the catching-up processes, such as the filling of the pipelines with raw materials, semi-finished goods, and finished goods, based as it was on new money or increased activation of the stores of money created during the war, was highly inflationary in character.

(5) On the restocking boom of these postwar years there was super-imposed a very great net export of goods financed by government loans and grants, gold shipments to the United States, and the utilization of dollar balances. The money supply was thereby increased by at least the amount of the increase in gold stock, and the supply of goods available for domestic consumption was diminished.

(6) The state of mind of the people, sometimes described as the "psychology" of the situation, should, I think, be added as a factor contributing to the postwar inflation. The keen desires of the people to acquire as soon as possible goods in short supply seemed to be whetted by the scarcity of those goods. Until recently, if, indeed, the present time is an exception, each period of abatement in demand was overcome by a new wave of money expenditures. Consumers, it seems, quite easily convince themselves that their needs for new automobiles and other items are desperately pressing when prices threaten to rise and they decide that their present needs are not so great when prices threaten to fall. Consumers' behavior, which is extremely fickle, is a factor making for instability in the economy and it is a difficult force to appraise and predict.

When the economic history of this period—the postwar inflation—is written and a resolution of the factors of inflation is made, the six factors described above seem to me to stand out as the most important.

The Processes of Money Creation

Before attempting an interpretation of the state of business inherited from three and one-half years of inflation, it is appropriate to discuss briefly before a group of bankers the role of the banking system in the creation of money.

Let me begin with a question: How do you account for the ability of commercial banks during the war years to pay out $18 billion of new currency into the pockets of the people, to acquire $71 billion of new earning assets in the form of government securities, and to maintain reserve balances required against $54 of additional deposit liabilities? (June 30, 1941 — December 31, 1945 figures.) The answer is found in the excess reserve held by banks at the beginning of the war and, in larger measure, the purchases of $22 billion of government securities by the Federal Reserve banks.

In the absence of central bank purchases of government securities, the commercial banks — members and nonmembers alike—could not have acquired over $71 billion of new earning assets during the war years. Such purchases, it should generally be understood among bankers, create reserve balances and deposits for commercial banks by the amount of such purchases and, additionally, permit an expansion of bank credit four or five times as large.

Although it must be said that banks had available to them the facilities for a much greater expansion of credit than they took advantage of, demand deposits increased in 1946 and 1947 in the amount of $12 billion, while time deposits increased $5 billion. Thus the money supply continued to expand in the postwar boom period.

1948 Boom Based on Higher Velocity

It is true that in 1948 the absolute supply of money ceased to increase. Adjusted demand deposits of commercial banks decreased about two percentage points while time deposits rose slightly. Nevertheless, a resurgence of price inflation took place after a brief period of hesitation in February and March. After a decline of about 5 points in those months over January, the index of wholesale prices reached a peak in August. Thereafter prices of farm products fell sharply, while prices of metals and metal products continued to advance into the year 1949.

The resurgence of inflation experienced in the summer of 1948 was based quite largely on a very considerable increase in the velocity of money, rather than an increase in the total money supply.

A curious mixture of factors determing the money supply characterizes the year 1948. The money supply seemed to be churning around, gurgling, in a great pot as with one dipper a part of the content of the pot was taken out and with another dipper new substances were added. (Let not a punster say that too many witches spoiled the brew—or let him, as you please.)

Let us take a quick glance at the first-quarter of 1948 and a nod in the direction of the United States Treasury. In that short space of three months the Treasury's cash surplus which has been built up by large tax receipts was used to draw down the active money supply (demand deposits). Not all of this money was paid back into circulation—most of it was used to retire Federal securities held by the Reserve Bank. By this procedure the supply of bank deposits and currency was pulled down by $5 billion in three months.

In this period we were given a demonstration of one method by which the processes of money creation can be reversed. If this procedure had been followed persistently and courageously throughout the past three years without offsetting moves in the other direction, it seems reasonable to assert that inflationary forces in the economy would have been minimized. We, however, shrank from a course of steady, sustained courage in facing the problem of inflation.

An Interpretation of the Present State of Business

The most sagacious interpretation of the present declining trend in business, it seems to me, is that it is an inevitable outcome of the price inflation that preceded it.

The people possessed at the end of the war great purchasing power at the level of prices which then prevailed. Manufacturers, aware of the lush markets for goods, rushed to buy raw materials, to hire workers, and to improve their facilities for production. Distributors rushed into the markets to buy finished goods with which to replete their showcases. Consumers rushed into the markets to meet their deferred demands.

Our amazingly productive economy swung into high gear turning out a record-breaking volume of consumption goods. The pipelines were soon filled as higher prices outran the higher incomes of many people.

Inflation took its toll!

This interpretation of the current state of business places great stress on the restocking of inventories as a primary cause of the boom and on the great rise in prices as the cause of the boom's end. (I would add that high business expenditures on new plant

(Continued on page 39)

*An address by Mr. Peterson before the Federal Reserve Conference of Ninth District Bankers, Minneapolis, Minn., April 23, 1949.

Bank Reserve Requirements Reduced

Federal Reserve Board lowers minimum reserves of all member banks, cutting by about one-half the increase in reserves ordered last September in action to offset inflationary trends. Chairman McCabe holds step is in line with adjusting Federal Reserve policy to changing economic conditions. Gain of loanable funds by banks put at $1.2 billion.

The Board of Governors on April 28 announced it has reduced the amount of reserves required to be maintained with Federal Reserve Banks by banks which are members of the Federal Reserve System as follows:

		Effective
On net demand deposits		
Central reserve city banks	From 26 to 24%	May 5, 1949
Reserve city banks	From 22 to 21%	May 5, 1949
Non-reserve city banks	From 16 to 15%	May 1, 1949
On time deposits		
Central reserve and reserve city banks	From 7½ to 7%	May 5, 1949
Non-reserve city banks	From 7½ to 7%	May 1, 1949

The effect of these decreases, the board estimates, will be to lower the required reserves of banks in central reserve cities by approximately $500 million, of banks in reserve cities by approximately $350 million, and of banks in non-reserve cities by $350 million.


Thomas B. McCabe

On Sept. 8, 1948, the board increased reserve requirements of member banks to the higher figures given above, under the temporary additional authority granted by Congress in the preceding August. This supplemental authority permitted a maximum of 4% to be added to statutory reserve requirements on demand deposits and of 1½% on time deposits.

"The present action," Chairman McCabe of the Federal Reserve Board stated, "was taken in furtherance of the Board's policy of adjusting all of its credit regulations in accordance with changing economic conditions and the credit requirements of the current business situation. Since the first of the year there has been a decline of approximately one and one-half billion dollars in loans at member banks. About one billion of this decline has occurred at member banks in New York and Chicago—the central reserve cities. The remainder of the decline was largely at banks in reserve cities. In view of this trend of loans and the fact that requirements at the New York and Chicago banks had been increased from 20 to 26% during 1948 the Board felt that it was appropriate at this time to reduce the requirements for the central reserve city banks somewhat more than for other member banks. We have frequently stated that credit regulations are not a one-way street. They should be tightened or relaxed as general economic conditions require."

Wherry Hits "Biggest Give-Away Show on Earth"

In address at testimonial dinner honoring Senator Edward Martin, Nebraska Senator attacks "medicine men" of Washington "who are long on promises of billowy pillows of ease, but extremely shy on what cost will be."

In a speech at a testimonial dinner honoring Sen. Edward Martin of Pennsylvania in Washington on April 30, Senator Kenneth S. Wherry of Nebraska, Republican Senate Floor Leader, attacked what he called the "Biggest Give-Away Show on Earth." Referring to the Administration's spending policy, Senator Wherry said:


Sen. K. S. Wherry

"Purveyors of gaudy socialistic wares are doing their utmost to lead us into state socialism. They promise a life of ease and abundance without work, they promise the government will take care of us from cradle to grave, they promise high wages, low prices, free education, free medicine, free hospitals, free everything.

"We are witnessing the biggest give-away show on earth. Come one, come all! Something for nothing—absolutely free!

"These 'medicine men,' with their quack remedies, remind me of something my father said years ago in the horse and buggy days. My dad was a merchant and a farmer. And in those days there were plenty of mule traders and they had stock phrases. They had a language of their own. Dad said: 'When a man tells you he has the best mule in the county, watch out! It is probably windy, spavined, string-haltered, or moon-eyed.'

"So it is with the 'medicine men' of Washington. They are long on promises of billowy pillows of ease, but extremely shy on what the cost will be, the cost in taxes, the cost of living, yes, the cost in robbing the people of their freedoms.

"The Baltimore 'Sun,' a leading Democrat newspaper, estimates the monetary cost of the President's social welfare programs, all wrapped into one package, over a period of 50 years, at one trillion, 250 billion dollars. Repeat: one trillion, 250 billion dollars.

"That many silver dollars would make seven stacks, reaching to the moon, and there would be enough left over to pay the national debt of a quarter of a trillion dollars. I said 'trillion' dollars, and also pay all your 1948 income taxes.

"Confronted by those awesome figures, some of us are like the little boy who, when he saw an elephant for the first time, couldn't believe his eyes. He was so surprised he said: 'It ain't real.'

"But, my fellow-Americans, the threat to the financial stability of our country is real, very real. Not only is the financial stability of our country threatened, but our form of government is challenged. These issues rise above partisanship and sectional interest. They must be met, head on, by all Americans, who believe the government should be the servant and not the master of the people."

A Political Challenge to Business and Industry

By HENRY FORD, II*
President, Ford Motor Company

Stating that business is continually meeting government and labor on very uneven terms, Mr. Ford asserts business must begin by capturing the imagination of people beginning with their own employees. Calls for practical cooperative program of progress to "deliver the goods." Pleads for increase of productivity of the individual.

I want to raise some questions this evening which are very much in my mind. I think they may also be in yours. I am not an economist, and I do not claim to understand the world's problems. I am a manufacturer. Answers to the questions I propose to raise are important to me as a manufacturer — just as they are to all American businessmen today.


Henry Ford, 2nd

They are not easy questions, but I believe that there are good answers to them, and I believe we can find those answers.

These questions have to do with progress and our constant groping for security. I do not mean specifically the security of our country—although that is involved. I do not mean the security and peace of the world—although that, too, is involved. What I am particularly interested in is the economic security and progress of the individual.

The search for security and progress is not a new interest in this country. It is part of a fundamental long-term search. Our forefathers came to this country looking for security. They wanted to escape from the risks and uncertainties of living under despotic and unpredictable governments. They were willing to take the great risks of a wild land in order to escape that sort of insecurity. Freedom with all its risks is a kind of security which the men and women who settled this country fully understood—and they left their descendants a strong instinct to resist the kind of insecurity and uncertainty that comes with domination by government.

A better world—and the economic security of the individual is certainly a part of any better world—is the great American search. That search will never end so long as we keep the right to search open to everybody. No group in this country has a monopoly on the hope for a better world, least of all any group whose promises depend for fulfillment on the productivity of someone else.

I am not sure we always keep in the front of our minds this American goal. Civilizations in the past have often sought to improve the lot of their own people by conquering and plundering outsiders. We have achieved far greater progress for far more people by technology working within our own borders. Far from being imperialists, Americans have always tended to be more than satisfied to stay at home.

It has been our experience as a nation that whatever we may achieve, the possibility of doing something better always exists. In the manufacturing field, we will never make a machine that cannot be substantially improved. We will never develop a technique that cannot be made substantially better. So long as search is encouraged, we will never come to the end of the road of progress.

The tragic fact is that countries like Soviet Russia could achieve ten times as much for their own people by developing what they already have than they ever can achive by any process of world conquest.

We here in America want a great many social and economic advances—many of the things which taken together spell material progress. It seems to me almost certain we can take long strides toward worthwhile goals if we give to them the kind of attention they require. The question is whether we are on the right track and going in the right direction.

I want to discuss what I consider to be four basic requirements in any American plan for progress:

First—

PROGRESS MUST ALWAYS BE ACCOMPANIED BY AN INCREASE IN THE CAPACITY OF THE AVERAGE INDIVIDUAL TO PRODUCE.

The kind of nation—and the kind of world—we in America want is not one in which a top 5% or 10% of the people are wealthy, and the 90% to 95% are poor. You can achieve that kind of nation and that kind of world with very little production. What we are shooting for is a nation and a world in which everybody enjoys a higher standard of living—in terms of the human spirit as well as material things.

As we look around us, we see very clearly that such a goal requires tremendous output. A great many cannot have a great deal without tremendous output. America is proof of that. We are the first nation in which a great many people have high standards of living—and never before in history have any people produced so much. It is also clear, I think, that total production alone is not the answer. Tens of millions of people have a great deal because

(Continued on page 28)

*An address by Mr. Ford before Economic Club of New York, April 28, 1949.

Railroad Securities

For a number of years there have been recurring rumors to the effect that a readjustment plan for Missouri-Kansas-Texas was imminent. Last week it finally came. The company's 5% Adjustment bonds have substantial arrears and the $7.00 preferred stock has even more substantial accumulations of unpaid dividends. Both are fully cumulative and no dividends have been paid on the preferred stock since the third quarter of 1931.

In some quarters it had been hoped that any plan that was formulated would provide for both the back interest on the bonds and the accumulated dividends on the preferred. The plan that has been devised deals only with the Adjustment bonds, leaving settlement of preferred dividends to the future. Judging by the market action of both the Adjustment 5s and the preferred stock last week the plan drawn up by the company proved disappointing.

It is proposed to give holders of the Adjustment bonds, in payment of their accumulated unpaid interest, $350 in new Income Debenture bonds. The principal and maturity date of the present Adjustment bonds would remain undisturbed. The new Debenture bonds issued in lieu of the back interest would carry contingent interest at the rate of 1% per annum. They would be cumulative for four years, or up to 4%. They would have the benefit of a sinking fund, also contingent on earnings, and until the entire amount was retired there could be no dividends paid on the company's stocks. The new Debentures would initially be outstanding in the amount of $4,744,000.

The sinking fund provided in the plan would be based on a rather complicated formula. To income after fixed charges would be added charges for depreciation and retirements, and net income, after the sinking fund, for the preceding year. From that would be deducted equipment trust and conditional sales maturities, instalments on bank loans, interest on the present Adjustment 5s and the proposed Debenture 1s, a maximum Additions and Betterment fund of $2,500,000, and the deficit, if any, from the preceding year. There would then be applied to the retirement of the Debenture 1s, 25% of the "adjusted net income."

Last year the company reported income of $7,182,000 after fixed charges. Had the proposed plan been operative, and based on present estimated depreciation and bank loan instalments, this would have worked out to "adjusted net income" of $3,813,000 on which to compute the sinking fund for the new 1% Debentures. This would have meant a sinking fund of $953,000, equivalent to 20% of the face value of Debentures to be issued. Moreover, there would have been $2,860,000 of residual net income to be added to current year's earnings in figuring out next year's "adjusted net income."

So far in the current year the company's earnings have been running ahead of the like interval of 1948. Income after fixed charges for the first quarter amounted to $842,862. This represented an increase of $272,499, or 47.8%, over the opening quarter a year ago. There is little question but that revenues and earnings will start to decline some time this year and it would appear overly optimistic to expect that retirement of the Debentures could be at a rate anywhere near that indicated by last year's results. Nevertheless, considering that the Debentures will presumably be available at a substantial discount their elimination could be accomplished within a reasonable time. When that is accomplished the way would be opened to a plan to take care of the preferred dividend arrears.

Another interesting announcement has just been made in a situation having substantial preferred stock dividend arrears. Alleghany Corporation is contemplating an offer to holders of its prior preferred and preferred stocks to exchange their shares for Chesapeake & Ohio common stock held by Alleghany. Details as to the terms of the offer will not be available for 10 days or so. Further reduction in the outstanding senior equities with their large dividend accruals would materially strengthen the status of the remaining Alleghany securities. The step, incidentally, follows the pattern the company has apparently set in withdrawing from the railroad field in its investments.

World Bank Reports Nine-Months' Operations

Total loans in period exceeded $500 million and net income reached $7,383,006, compared with $2,242,957 for same nine months of previous year.

The International Bank for Reconstruction and Development issued on April 29 the results of its operations for the nine-months period ended March 31. Net income for that period amounted to $7,383,006 as compared with $2,242,597 for the first nine months of the preceding fiscal year. The Bank's income was $15,611,704, exclusive of $3,701,468 added to the special reserve account. Total expense for the nine-months' period amounted to $8,228,698 as compared with $8,577,770 in the like period of the preceding fiscal year.

In a recapitulation of its activities, the International Bank said that during the first three months of this calendar year it had approved four new loans amounting to $125,100,000, bringing the total loans approved by the Bank since its organization three years ago to $650,100,000.

Disbursements on loans since Dec. 31, 1948, amounted to $9,255,070, bringing the total loan disbursements on March 31, 1949, to $508,342,928. As of March 31 the undisbursed balance of loans in effect was $50,757,072, not including loans in the amount of $16,000,000 to two Chilean corporations, which did not become effective until April 7, and a loan in the amount of $75,000,000 to Brazilian Traction Light and Power Co., Ltd., which has been approved by the Bank but which was not effective on March 31.

The Bank also reported that on January 15 four Dutch shipping companies to which the Bank had lent $12,000,000, had paid $600,000, principal amount, of the 2½% guaranteed serial mortgage notes received by the International Bank in connection with the loans and subsequently sold by the International Bank to a group of private commercial and savings banks. This represents the first repayment of principal by a borrower under any of the Bank's loan agreements.

LETTER TO THE EDITOR:

$50 Million in R.R. Passes and Dining Car Losses Could Be Saved

According to Berkeley Williams, of Richmond, Va., stockholder in several railroads, free railroad passes should be abolished or drastically curtailed.

Editor, "Commercial and Financial Chronicle":

I speak without the experience of a railroad executive and only as a stockholder, an American citizen who recognizes that railroads are the chief element in our National progress and National defense, and one whose sole desire is to cooperate in anything that will help and protect the railroad industry.

Berkeley Williams

With this introduction, I will proceed to say that it appears to me there is room for improvement in railroad Free Pass and Dining Car departments.

In personal letters written to the Presidents of three of the country's prominent railroads in which I am a stockholder, I pointed out that every railroad executive would welcome the suggestion that his road can participate in saving a modest $50 million to the industry, particularly at a time when the railroad managers are claiming that the industry is being starved to death. Every labor union would humanly resent giving up any privilege they now enjoy but would have to admit the free pass racket is unfair and every railroad stockholder would unanimously applaud a call for action. Chairman Mahaffie of the ICC is already on record as declaring that the free pass racket is without "justification—social, business or ethical."

I would like to quote from my letter to these officials:

"In its last Annual Report to Congress the ICC warned railroads that they are pricing themselves out of the market by continuing to advance freight rates, which statement, although debatable, nevertheless has created widespread discussion and is a disturbing one to holders of railroad stocks.

"A more disturbing statement in the same report is that 'much must be done to increase efficiency and reduce costs of railroad operation,' and that latter statement prompts me to inquire as a stockholder in your company what opportunities you consider exist for improving (1st) Free Pass and (2nd) Dining Car loss situations?"

The following paragraphs from the ICC report issued April 4 1948, graphically summarize the railroad free pass abuse:

"While the carriers are furnishing an excellent passenger service, one feature of it seems to me to require attention, particularly in view of the losses now being incurred and the need of increased revenue. A great deal of such service is furnished without charge. Therefore, the losses suffered, to an extent at least, are voluntary. If all passenger service furnished were paid for, losses would be much reduced. Viewing the railroads as a whole, the section of transportation service of the Federal Coordinator of Transportation, in its Passenger Traffic Report, dated Jan. 10, 1935, estimated that for 1933 the value of free transportation furnished was approximately $50,000,000.

"In a report compiled by our Bureau of Statistics and made public on Aug. 5, 1936, it was shown that during the first quarter of 1936, 3,074,586 passes and free tickets were issued by Class I railroads. For the year 1937 we required Class I railroads to report quarterly the number of passes and free tickets issued to persons other than the employees of the reporting carrier, the extent of travel on such passes, and money value of the free transportation furnished. The reports have been filed with us but have not yet been made public. However, for the first six months of 1937, according to our fifty-first annual report to Congress (page 14) these railways carried free 3,204,968 persons other than the employees of the reporting carrier. This travel amounted to 601,000,000 passenger miles."

". . . Guests in Pullman cars paying for reserved accommodations, but traveling on free rail transportation, traveled 700 million miles in 1933. In addition, there were ½ million guests who also were furnished free accommodations, for whose journeys passenger miles were not recorded. Assuming that they rode on free rail transportation, and that their haul was the same as the rail pass guests, the total free transportation in Pullman cars amounted to 900 million miles, or 16% of the total Pullman passenger miles. In the railway limited train study the carriers, from a 7-day test period, developed that 34% of the total passengers carried were free pass passengers. No record was kept of passenger miles. It is quite clear that at least 16% and possibly twice that amount of the total rail passenger transportation is furnished gratis. At the 1933 average fare, this was equivalent to at least $50 million or ¼ the passenger service deficit. . . .

". . . There can be offered no justification, social, business, or ethical, for so-called 'exchange transportation,' whereby an employee of one company is carried free by another, whether or not on company business.

". . . A fact quite frequently overlooked is the ill will which the promiscuous use of free transportation arouses in the cash customer. His feeling of discrimination is naturally intense and not without considerable justification. In the present unhappy state of the passenger business free service of any sort should be eliminated."

In this letter I wish to note with special emphasis Chairman Mahaffie's comment that "there can be offered no justification, social business or ethical, for so-called 'exchange transportation,' whereby an employe of one company is carried free by another, whether or not on company business." There is no just reason for the junketing and purely pleasure trips that are indulged in by railroad officials, members of their families and railroad employees whose wages are among the highest, all at the expense of the stockholders — and without the stockholders' approval.

It is public knowledge that free pass abuses have been "a tradition and scandal of railroads for generations and it is high time for correction even if it calls for one of those Sovereign Remedies—an Act of Congress. Transportation is the only thing a railroad has to sell, but all railroads complaisantly maintain [free] Pass Bureaus to give away their one and only product. What other industry does anything so prodigal and foolish?"

Referring to the Dining Car losses, may I briefly quote a Wall Street newspaper as authority for the statement that "The roads lost $25,600,000 on dining and buffet service in 1947 which is almost three times the total 1940 deficit for the operation as disclosed by the ICC. In a special study that the ICC made of dining car operations on the 20 largest railway systems, the Commission found that the Southern Railway enjoys the record for smaller losses than any other large carrier. In 1947, for instance, the Southern Railway's ratio of food and drink expense showed only a 2 cent loss on every dollar, whereas the Chesapeake & Ohio Railway had the highest ratio of the 20 roads —almost 180%."

From this study it seems therefore, that other roads can learn something from the Southern Railway and it is hoped can do as well. But why not do much better? Busses are taking passenger business from the railroads in increasing numbers but serve no meals, and some Air Lines are abandoning food service. So once again the railroads seem prodigal and foolish in giving away something which involves a loss to themselves and what may be bad for customers. Personal experience leads me to say dining car meals are often bad physically and financially."

Human nature being what it is, and politics what they are, railroad officials may understandably object to surrendering any privilege they now enjoy, but it can be fairly claimed that every day some officials and/or members of their families indulge in free transportation (sometimes a private car) at someone else's expense. Can they offer a valid reason why railroad transportation for personal use should not be penalized just as use of mail for personal use is penalized? They condemn junketing around by Congressmen but condone doing a bit themselves. If one is wrong, why not both?

The theory that free transportation promotes better employer-employee relations and puts the brakes on demands for higher wages is also unsound both in principle and practice for in spite of the fact that railroad workers are already receiving more than double their wage rates and annual earnings in 1921 (which might reasonably be expected to satisfy them) leaders of the operating unions representing engineers, firemen, conductors and trainmen and switchmen have presented 44 "rules" demands which would compel the railroads to pay more money for the same or less work and "these rules would cost a billion dollars annually which neither the railroads nor the country can afford."

I am fully aware that free passes and dining cars are not the major problems that confront the railroads and that $50 million can not be saved in those departments, but I submit that no substantial part of $50 million is peanuts and any part saved will help. Railroad net income in 1948 approximated $70 million.

I have quoted ICC reports that indicate opportunities for improving railroad earnings to the total extent of more than $50 million or over $25 million in Free Passes and over $25 million in Dining Car Losses, altogether a sizable amount and all of which seems to be within the control of the railroads themselves.

BERKELEY WILLIAMS.
302 E. Grace Street,
Richmond, Va.
May 4, 1949.

Denault & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Lea C. Park has been added to the staff of Denault & Co., Russ Building.

Guaranty Trust Cites World Trade Barriers

New York Banking institution, in "Guaranty Survey," says restrictions on trade, along with exchange controls and bilateral agreements, have no remedial effect and, as long as unsound economic tendencies exist in various countries, international trade will suffer slow down.

The International Trade Conference now under way at Annecy, France, and the prospect that Congress will be asked to consider ratification of the ITO Charter focus attention on the continuing effort to facilitate world trade, but the most serious barriers to trade continue to exist in the face of such international conferences and agreements, states "The Guaranty Survey," the current monthly review of the Guaranty Trust Co. of New York.

The chief impediments of trade arise from unsound conditions and tendencies within the various countries, according to Guaranty Trust Co., and only through the correction of those conditions and tendencies can the barriers be removed. To the extent that agreements result in more reasonable tariff rates and trade regulations they are steps in the right direction, but a vast amount of work remains to be done to restore freedom of international trade.

The "Dollar Shortage"

"Since the end of the war, one of the main objectives of trade controls in many countries has been to conserve holdings of 'hard' currencies, especially United States dollars. To increase the supply and minimize the expenditure of dollars and other hard currencies, numerous devices are employed, such as exchange controls, import and export licenses, quotas, discriminatory bilateral agreements and other measures.

"These artificial barriers do nothing to correct the causes of the so-called dollar shortage. They are aimed solely at suppressing the symptoms. When almost all countries follow such practices at once, the overall effect is to throttle world trade as a whole.

"Exchange controls, like direct trade restrictions, are for the most part futile, and for the same reasons. They are similar to trade restrictions also in that they have a strangling effect on world trade, because they make it impossible for many countries to obtain adequate amounts of foreign exchange. In their efforts to escape from this difficulty, nations enter into bilateral agreements discriminating against outside parties, especially those whose currencies are scarce, such as the United States. Thus one form of control creates difficulties that lead to another.

"To describe the existing situation as a dollar shortage, therefore, is rather misleading. Quite aside from loans and grants under foreign-aid programs, the United States is importing more goods, and thus is pouring more dollars into the world's exchange markets than ever before. The so-called dollar shortage is partly a shortage of goods due to the wartime interruption of normal production and trade, partly a shortage of productive capacity abroad, and partly an unwillingness on the part of those who possess dollars to part with them for the kinds and amounts of foreign currencies that are offered in return. Exchange rates today do not reflect economic realities, because most countries have surrounded themselves with economic fences designed to regulate the terms of trade to their own advantage and to insulate their economies from the impact of outside forces.

Need for New U. S. Customs Procedures

"Tariff rates are not the only domestic obstacles to expansion of the foreign trade of the United States. It is a curious fact that this country, which has stood so consistently for the elimination of trade barriers in general, has at the same time needlessly hampered its own trade by its failure to revise the antiquated and cumbersome features of its customs procedure. Legal provisions and practices with respect to such matters as countervailing duties valuation for customs purposes conversion of foreign currency for customs purposes, marks of origin internal taxes, and penalties are badly in need of simplification modernization and liberalization. These out-of-date, complicated and inelastic procedures are not intended to be barriers to legitimate trade, but they have that effect.

The ITO Charter

"The results of efforts to combat trade restrictions through the establishment of an International Trade Organization have been even more disappointing. The ITO was originally conceived as an agency to stimulate and liberate world trade—a clearly desirable objective. But whether adoption of the charter as it now stands would have that or the opposite effect is highly debatable. In order to obtain agreement, it was necessary to insert so many complicated provisions, exceptions and escape clauses that the charter is regarded by many as condoning under broad conditions, the preferential agreements, quantitative trade restrictions, discriminatory bilateral treaties and other trade barriers against which it was supposed to be aimed. Unless and until the nations of the world are genuinely ready to lower their trade barriers, the ITO can offer little, and might even do more harm than good. A really strong charter is not likely to be accepted until the unsound internal conditions that gave rise to the objectionable trade restrictions are corrected.

Sound Internal Conditions Vital

"Regardless of any assistance that the war-stricken nations may receive from outside, there are certain fundamental problems that they must face and resolve before any great progress can be made toward a reduction of trade barriers and a freer exchange of currencies. The first and most important requirement is to restore the confidence of peoples in their own governments, so that the latter may have reasonable assurance of continuity in administering national affairs and commanding popular support. More specifically it is essential that governments be strong enough to reduce their expenditures to a minimum and to call upon their people to make the sacrifices involved in giving up desired social benefits or paying higher taxes, or both. For this necessity must be faced if budget and trade accounts are to be balanced, currency values maintained and national bankruptcy avoided. No form of cooperative action among nations can provide a substitute for sound internal conditions and policies, and cooperative action means little unless it helps to promote internal soundness."

Christian Hoobs New McManus Partner

Joseph McManus & Co., 39 Broadway, New York City, members of the New York Stock Exchange, announce that Christian H. Hoobs, member of the New York Stock Exchange, has been admitted as a general partner in the firm.

Truman Administration Creating Deficit to Balance European Budgets: Rukeyser

Economic commentator maintains we are sacrificing to subsidize socialized countries whose government-dominated monopolies, operating at a loss, will later compete with us.

MILLBROOK, N. Y., April 28.—Uncle Sam is in awkward position of risking the recurrence of a red ink budgetary deficit at home in order to give away funds to Europe to help Western European nations put their economic houses in order. Merryle Stanley Rukeyser, economic commentator for International News Service and editorial writer for the Hearst newspapers, made this observation here today in an address at the Fifth Annual Spring Conference here at Bennett Junior College.

Merryle S. Rukeyser

"For the second successive year the British Labor Government," Mr. Rukeyser, who is author of "Financial Security in a Changing World," pointed out, "has budgeted a surplus, and Paul Hoffman, administrator of the European Recovery Administration, takes credit for contributing to a balanced British budget.

"Meantime, President Truman has warned against a budgetary deficit in the United States. In the event that the current economic readjustment should curtail business profits, and Federal taxes based on profits, there will be an acceleration in the size of the threatened domestic budget.

"Senator Walter F. George, Democrat of Georgia, Chairman of the Senate Finance Committee, has admonished that amidst uncontrolled Federal spending an increase in tax rates on American taxpayers offers no easy way out. On the contrary, Senator George recently warned that increases in tax rates might mean less revenue instead of more. They might accelerate a downward trend."

"Thus, forgetting that charity begins at home, the Truman Administration is proceeding like the mother who is so busy doing social service work on the outside that she neglects her own children."

Mr. Rukeyser said that in light of continuing American subsidies to Europe there has been no fair test of the productivity of European economies under Socialist leadership. On the contrary, he said, that even with American grants-in-aid European Socialism is yielding "austerity," not the more abundant life." He pointed out that at the end of the contemplated handouts under the Marshall Plan by the middle of 1952 the Organization for European Economic Cooperation holds out the promise, despite American handouts, of "a general standard of living at best only 5 or 10% below their prewar standard."

"Thus," Mr. Rukeyser continued, "free enterprise America is continuing to outproduce the Socialized and Communized countries to an overwhelming degree. There is nothing in the European economic experiments which encourages us to change our Way of Life. On the contrary, the big issue is what will become of these European economies when as and if America aid is discontinued as contemplated.

"If the Socialized and partly Socialized economic systems should survive, then later foreign trade with such countries by American businessmen needs to be carefully reexamined. Certainly American competitive private enterprises, limited by antitrust restrictions, will be handicapped in dealing with foreign government-dominated monopolies, which can be operated at a loss through manipulation of foreign governmental taxing authority. Certainly the loose talk in a world partly free and partly collectivized is unrealistic."

Beach and Wickham With Daniel F. Rice

CHICAGO, ILL. — Clinton S. Beach and Thomas Y. Wickham, formerly partners of Faroll & Company, Chicago, have become associated with Daniel F. Rice & Company, Board of Trade Building, members of the New York and Chicago Stock Exchanges. Both Mr. Beach and Mr. Wickham have been members of the Chicago Board of Trade since 1902 and 1903 and their business association of more than 40 years represents two of the longest careers in the grain brokerage field.

Mr. Beach's father was a member of one of Chicago's earliest grain firms, Mead, Beach & Co., established in 1868, which became E. A. Beach & Co. in 1890, and Beach, Wickham & Co. in 1903. It remained a prominent Board of Trade firm until 1935 when the partners became associated with Faroll & Company.

In 1935, Mr. Wickham was the agricultural representative on the American Economic Mission to China, Japan and the Philippines. He has served as Vice-President and Director of the Board of Trade at various times in the past and represented the Board of Trade on the U. S. Chamber of Commerce. He is a graduate of Princeton University and Harvard Law School. Mr. Beach is a graduate of the University of Chicago.

FIC Banks Place Debs.

A successful offering of two issues of debentures of the Federal Intermediate Credit Banks was made April 20 by M. G. Newcomb, New York, fiscal agent for the banks. The financing consisted of $24,875,000 1½% consolidated debentures dated May 2, 1949, due Dec. 1, 1949, and $52,115,000 1.55% consolidated debentures dated May 2, 1949, and due Feb. 1, 1950. Both issues were placed at par. Of the proceeds $43,735,000 was used to retire a like amount of debentures maturing May 2 and $33,255,000 is "new money." As of the close of business May 2, 1949, the total amount of debentures outstanding was $547,835,000.

Securities Salesman's Corner

By JOHN DUTTON

After any prolonged period of dullness and general market decline such as we have had for the past two years there is bound to be a great deal of depreciation in the accounts of many clients who have held securities and have resisted all suggestions to make changes and take losses. This condition is general throughout all markets, both listed and unlisted, and it applies to so-called "blue chips" as well as the low-priced speculative situations.

Many investors would be infinitely better off if they could be convinced that holding the "wrong stocks" is going to be a very costly matter to them when the next business upturn, and the eventual recovery in the market takes place. It is a well known fact that many stocks will not recover as much as others. New situations and new industries will lead the next upturn in the market. This point alone can be easily demonstrated by past history, and right here lies an excellent argument around which you can build an effective sales presentation that should be helpful in obtaining more business during such periods as the present.

For example, if you wish to present a good reason why anyone should have a review made of his portfolio at this time, you can compile a list of the Dow-Jones stocks which comprise the Industrial Averages for almost any one or two-year period and you will find a wide divergence in their market performance. For example, if you take the period of from December 1946 to December 1948 you will find that out of the 30 stocks comprising this average approximately 14 advanced from 1 to about 11½ points while 16 declined from less than one point to over 16 points, yet the average as a whole remained almost stationary. By making up a list of these so-called "blue chips" you can show visual proof of the importance of holding the right stocks and disposing of those which have changed as to market outlook. As another striking illustration of the importance of holding the right stocks in the right industries during a period of recovery, you can select some examples like the following: For the period between December 1940 and December 1948 the Dow-Jones Industrial averages advanced about 39 points. Nearly everyone will agree that American Telephone & Telegraph is a good stock but during this period it actually declined about 15 points. Anyone who owned 100 shares of this excellent investment stock actually had a loss of principal during this period of about $1,500. On the other hand take the case of another good stock, Goodyear Tire & Rubber. If our investor in Telephone had switched from it to Goodyear, instead of a loss of about $1,500 he would have had a profit of over $19,000. You can find many situations such as these.

The eye is always more effective than the ear when you are selling. A short list of examples such as these, around which you can illustrate the importance of making a complete check-up of the securities your prospect holds, can help you create the action that you want, which is **to obtain his list for analysis**. Using a pencil is also helpful. You can start your sales talk on the straight road toward obtaining interest and attention by saying something like this: "Most investors would like to see all their securities move upward like this." Then draw a straight line in an upward direction across the paper you may have in front of you. "But, we both know that over a period of years what actually happens is something like this." illustrate by an upward zig-zag line where the bottoms of the dips are slightly higher than the preceding ones (like a bull market chart of the Dow Averages). "It is in periods of market declines like this (illustrate by pointing to a dip in the second illustration) where investment success is achieved. You see, here is a list of some of the finest 'blue-chip' stocks. Some advanced while others declined, it will be the same in the next period of recovery. Experience has shown, Mr. Investor, that an entirely new group of securities (and industries), always lead the next upturn in the markets and that is why it is important to review your portfolio frequently during the periods like the present. Some people 'freeze' their investments. They refuse to take losses and switch into different securities that will recover in the next advance. Often they are the ones who are forced to sit idly by and watch their securities remain at a standstill while others move ahead. That is why it is important to make a review of your holdings during times like these. Sooner or later there is going to be a turn in general business and in the markets. It may come within a few months or in the fall, or later. Just when this will be none can tell, but if we prepare now by going over your present holdings, you can at least have some idea of the present outlook and then can decide for yourself if some of our recommendations appeal to you. There is no obligation or charge I can assure you, etc., etc."

This type of sales presentation is fitted into today's bear markets. You are offering a worthwhile service. The best part of this sales talk is that you can go out with a clear conscience and make every effort to bring in as many lists as you can. You will help your customers and prospects by making a review of their holdings—and you will find many opportunities for doing business as a result thereof.

Earl I. Custin With First Securities Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Earl I. Custin has become associated with First Securities Co. of Chicago, 134 South La Salle Street, members of the Chicago Stock Exchange. Mr. Custin previously conducted his own investment business, Earl I. Custin & Co., in Chicago.

B. L. Simmons Co.

B. L. Simmons has formed B. L. Simmons & Co., with offices at 124 East 84th Street, New York City to engage in a securities business.

Dreyfus to Admit Pearson as Partner

Dreyfus & Co., 50 Broadway, New York City, members of the New York Stock Exchange, will admit Samuel M. Pearson to partnership on May 9. Mr. Pearson who recently became associated with Dreyfus & Co. was formerly a partner in Jerome Melniker & Co.

Security Associates Formed

WINTER PARK, FLA.—Security Associates has been formed with offices at 108 North Park Avenue, to engage in the securities business.

Business Decline Not Finished Says A. W. Zelomek

Economic counselor expects a period of deceptive stability, followed by completion of readjustment in sharp decline in production, employment and prices.

The present decline in business is not ended, it was contended by A. W. Zelomek, economist of the International Statistical Bureau, in an address before the Annual Business Conference of the Retail Merchants Association of Texas in Dallas Monday, May 2.

A. W. Zelomek

"Not many months ago, the big argument involved inflation versus deflation. Now it is just a question of how far down the business curve will go, and how fast," said Mr. Zelomek.

"Most of the business recessions we have had in the past have divided themselves up into three phases—First, there is a preliminary decline, like we have been having during the last five months. Then there is usually a period of deceptive 'stability.' I think we may have something like that in the next few months. Finally, there is a period of several months duration, in which production, employment and prices decline more sharply, completing the readjustment."

Continuing, Mr. Zelomek said: "I think that something like that may lie not far ahead of us. I think that the business curve may begin to follow a V-shaped formation later this year, and that the bottom of the V may come sometime in the first half of 1950."

"Such a decline, for a period of several months, might be quite sharp," said Mr. Zelomek. "But it would be short, and it would not be a major depression or collapse. Even at its bottom, income and retail sales would be far, far above prewar levels. Moreover, retailers who are in a sound financial position will find an increasing supply of merchandise that can be sold aggressively and profitably. And at the bottom of the V, the manufacturing industry will find its efficiency much higher, and its break-even point much lower, than they are now. Which is just another way of saying that the present recession will be followed by a sharp recovery of unit volume, on a lower price basis. We will see another jump in living standards, and the distributor will profit accordingly."

"To look only at the present decline is a purely negative approach," Mr. Zelomek continued. "I am not telling you to ignore the decline. That would be unrealistic. But the positive approach will not lose sight of the opportunities that are ahead. It will be ready to take advantage of them as they appear. And before I say anything else, I want to put in a little word of congratulation to retailers as a whole. If you hadn't taken active steps to get your inventories and commitments under control, the declining trend of business would be a lot sharper, and it would last a lot longer.

How to Operate

"How the general business and price curves are moving is very important. When total markets are shrinking, retailers are in an entirely different position than when they are expanding.

"I would like to forget the general picture, however, and emphasize the fact that individual sales and individual prices do not all move in the same direction at the same time.

"You know this to be true just as well as I do. During the first quarter of this year, for example, general merchandise outlets had a substantial increase, even in unit volumes, for some apparel items. But merchants as a whole had difficulty with hard lines, many major appliances showing declines on a dollar basis of 20% to 30%.

"Prices have shown a similar discrepancy. Cotton textile prices reached a peak more than a year ago. But metal prices kept rising until last Fall and even held firm in the early part of the year when farm commodities and many other items were showing sharp drops.

"The adjustment has been highly uneven and retailers must take this into account. Each item must be studied individually. This applies not only to price prospects but to sales prospects. Compromise between caution and aggressiveness," Mr. Zelomek warned.

Charles Allen, Jr., Director

Charles Allen, Jr., has been elected a director of the Polarus Steamship Company, Inc., 30 Broad Street, New York.

Charles Allen, Jr.

Mr. Allen, Jr. is a general partner of Allen and Company, investment brokers and Chairman of the Board of The Colorado Fuel and Iron Corporation.

H. C. Shallcross to Head McDonnell Dept.

McDonnell & Co., 120 Broadway, New York City, members of the New York Stock and Curb Exchanges, announced May 2 that H. Clifford Shallcross has been appointed Manager of the firm's Mutual Funds Department.

Mr. Shallcross, most recently associated with E. F. Hutton & Co. in a similar capacity, has been in the investment business for 25 years. He was a founder and President of several mutual funds and for several years was connected with the Securities and Exchange Commission, specializing in mutual funds. During World War II he served four years in the Renegotiation Branch, Headquarters, Army Service Forces, attaining the rank of Lieutenant-Colonel.

John D. Cooper Joins Staff of John Small Co.

John Small & Co., 40 Wall Street, New York City, announced the association with the firm of John D. Cooper, formerly with the Municipal Bond Department of Laidlaw & Co.

With Reynolds & Co.

EAST ORANGE, N. J. — Reynolds & Co., 22 Prospect Street, members of the New York Stock Exchange, announce that Edward K. Stropp, registered representative, is now associated with the firm.

J. & W. Seligman Co. Celebrates

May 1, 1949, marked two anniversaries of one of the oldest investment houses in the United States. Eighty-five years ago, May 1, 1864, Joseph Seligman and his brothers established the firm of J. & W. Seligman & Co. and the firm continues active today under the original name. Eighty years ago, May 1, 1869, the firm was admitted to membership on the New York Stock Exchange.

The firm of J. & W. Seligman was an outgrowth of the activities of the Seligman brothers in the financing of the Civil War. Joseph, the eldest brother, distinguished himself during that period by placing millions of dollars of United States Government securities in Europe at a time when the credit of this country abroad, especially in England and France, was poor.

In the 1860's branches of the present firm were established in London, Paris, Frankfort, New Orleans and San Francisco. The London and Paris branches, Seligman Brothers and Seligman & Cie, respectively, are still active as independent houses. The San Francisco branch was the forerunner of the present Anglo California National Bank.

Beginning shortly after the close of the Civil War, J. & W. Seligman & Co. took a prominent part in the development of transcontinental rail transportation in this country, and in the 1870's rendered valuable assistance to the United States Government in connection with the refunding of the national debt and the resumption of specie payments.

In 1929 the firm sponsored Tri-Continental Corporation, an investment company with which, together with a number of affiliated investment companies, it is still associated. Upon the formation in 1938 of Union Securities Corporation, of which members of the firm are officers and directors, J. & W. Seligman & Co. withdrew from the underwriting business. The firm remains active in the brokerage and investment advisory fields.

Present partners of the firm are Francis F. Randolph, Henry C. Breck, Cyril J. C. Quinn, Stayman L. Reed, Charles P. Stetson, Estate of Earle Bailie (Limited), and Estate of Frederick Strauss (Limited).

So. Calif. Counselors Elect New Officers

LOS ANGELES, CALIF.—At its 12th annual meeting, April 25th, at the University Club of Los Angeles, the Investment Counselors' Association elected the following officers to serve for the coming year: President, Harlan B. Robinson, Pasadena; Vice-President, Henry H. Clifford, Los Angeles; Secretary-Treasurer, Harold P. Keith, Los Angeles.

In addition to Robinson and Clifford, the following men were elected to the Association's Board of Governors: Frederick W. Koenig, Los Angeles; Thomas D. Sears, Santa Barbara; Jack H. Zucker, Los Angeles.

City of Antwerp Bonds To Be Drawn for Redemption

Holders of City of Antwerp Loan Sinking Fund 5% gold bonds due Dec. 1, 1958 are being notified that $243,000 principal amount of these bonds have been drawn by lot for redemption on June 1, 1949 through the sinking fund at par. The bonds will be redeemed at the head office of The National City Bank of New York, fiscal agent.

European Devaluation Suspense

By PAUL EINZIG

Dr. Einzig reports agitation for devaluation of currencies of European countries has had deplorable effects in creating atmosphere of suspense. Says it has hindered progress of reconstruction and impedes international trade. Holds Britain's internal economy has been spared adverse effects of devaluation rumors, but in order to support exports to U. S. and Canada, British Government may guarantee value of sterling.

LONDON, ENGLAND—The recent official American pronouncements on the need for Western European countries to devalue their currencies, well-meaning as they were, have produced a most deplorable effect. They have created an atmosphere of suspense highly detrimental to the progress of reconstruction. In Britain itself there is no sign of any suspense; the recent rise in gold mining equities is practically the only indication that many people are inclined to envisage the possibility of a devaluation of sterling. The great mass of the British people simply ignores the question altogether. There is no flight from the pound into goods or valuables or real property. The government's repeated reassurance that the pound would remain at its present parity is all but generally accepted. Some Continental Governments are less fortunate in this respect. Their public, having learnt by experience, is less inclined to accept reassuring statements at their face value. In France and some other Western European countries there is a distinct tension in anticipation of a devaluation decision.

Dr. Paul Einzig

Although Britain's internal economy has so far been spared the adverse effects of the devaluation suspense, her export trade, as that of continental countries, tends to be affected in a distinctly unfavorable sense. According to reports from the United States and Canada the anticipation of a devaluation has induced a number of importers to mark time instead of placing orders for British goods. They are anxious to benefit by a lower sterling rate, and are afraid that if they ordered the goods now while their competitors ordered them after a devaluation they may have to sell at a loss, because their competitors are in a position to sell at lower prices. Should this tendency to abstain from placing orders assume considerable proportions it would greatly aggravate Britain's dollar position. Nor is it safe to assume that the orders which are now held back would be placed sooner or later—either after a devaluation of sterling or when American and Canadian importers realize that there is to be no devaluation. Much of the North American markets which are now missed owing to the devaluation rumors are likely to be lost forever.

The devaluation suspense does not affect British exports to soft currency countries. On the contrary, since it is assumed that some Western European currencies would be devalued to a larger degree than sterling, demand for British goods from the countries concerned tends to be stimulated by the anticipation of a higher sterling rate in terms of their national currencies. This means that the disequilibrium of British foreign trade through exporting too much to soft currency countries and too little to hard currency countries tends to become accentuated further. Britain's dollar deficit threatens to increase while her unrequited export surplus to Western Europe tends also to increase.

American importers are of course in a position to hedge against the risk of a devaluation of sterling. They can sell sterling for forward delivery, to cover the period between placing their order and selling their goods. This is not a simple operation, however, and only big firms in New York and other large cities are in a position to practice it. It would be too much to expect the average retail merchants who buy the goods from the importers to cover their risk in such a way.

There would be an alternative solution which, if adopted by the British Government, would go a long way towards allaying devaluation fears, and in so far as such fears persisted, it would ensure the success of the export drive to the Dollar Area by relieving American importers and retailers of British goods of the devaluation risk. This could be done by a special type of insurance which the British Government could and should undertake through the Export Credits Guarantee Department. In his recent statement on the dollar drive, the President of the Board of Trade laid stress on the projected expansion of the activities of the Export Credits Guarantee Department—the capital of which was recently raised to £500,000,000—to assist exporters to the Dollar Area. His remarks perplexed his audience to no slight extent, for exporters to the United States and Canada do not require official insurance facilities. There is of course no risk of the proceeds of exports becoming frozen through exchange restrictions, and such normal credit risk as exists can be covered at a reasonable cost with the aid of the existing private credit insurance facilities. No explanation was forthcoming about the nature of transactions which the Department would be prepared to guarantee, but Mr. Harold Wilson did promise that the Department's attitude would be unconventional.

It is conceivable that the Government may have in mind the granting of guarantees against losses arising through a devaluation of sterling. There is no indication that such a scheme is envisaged, but if it is not under consideration it ought to be. For, since British Government spokesmen repeatedly and emphatically denied any intention to devalue, there seems to be no reason why guarantee against devaluation should not be given. After all, if sterling is not to be devalued no losses could arise from its devaluation. Some formula could and should be devised under which devaluation guarantees for a period of, say, six months, would be given to American importers; the latter could pass on the guarantees to the wholesale or retail firms to which they would sell the imported British goods.

If there is really no question of a devaluation of sterling—and the chances are that in this respect Sir Stafford Cripps means what he says—then the Government can only gain by granting such guarantees. For one thing, insurance premiums would be received, and would constitute an additional source of dollar earnings. What is much more important, the existence of facilities to eliminate the devaluation risk would enable British exporters to obtain higher prices. What is even more important, the elimination of devaluation risk would make it possible to go ahead with the export drive to the Dollar Area. For one thing, the British Government's willingness to grant such guarantees would be regarded as an indication that there is really no intention to devalue, and would produce a stronger reassuring effect than any number of reassuring statements. This is a cynical and disillusioned world, and the public knows only too well that every government has to deny its intention to devalue until the last minute. But it is a different matter if the government has the courage of its convictions and is prepared to underwrite the devaluation risk.

C. L. Morse, Jr. to Head Bond Club of New York

Charles L. Morse, Jr. of Hemphill, Noyes & Co. has been nominated for President of the Bond Club of New York for the coming year to succeed George J. Leness of Merrill Lynch, Pierce, Fenner & Beane. The election will be held at the annual meeting of the Club on June 3 at the Sleepy Hollow Country Club, Scarborough, New York.

C. L. Morse, Jr.

Clarence W. Bartow of Drexel & Co. has been nominated for Vice-President to succeed Mr. Morse. Harold H. Cook of Spencer Trask & Co., has been nominated for Secretary and H. Warren Wilson of Union Securities Corporation, for Treasurer.

Nominations for new members of the Board of Governors are Clarence E. Goldsmith of White, Weld & Co., Robert J. Lewis of Estabrook & Co., John W. Valentine of Harris, Hall & Co. and A. Sidney Norton of Bankers Trust Company.

Continuing governors will be Raymond D. Stitzer of Equitable Securities Corporation, G. H. Walker, Jr. of G. H. Walker & Co., Austin Brown of Dean Witter & Co., Harry C. Clifford of Kidder, Peabody & Co., and Thomas T. Coxon of Hallgarten & Co.

The nominating committee consisted of Harry C. Clifford, Kidder, Peabody & Co., Chairman; Thos. T. Coxon, Hallgarten & Co.; Sumner B. Emerson, Morgan Stanley & Co.; Reginald W. Pressprich, Jr., R. W. Pressprich & Co., and Norman Smith, Merrill Lynch, Pierce, Fenner & Beane.

Phila. Municipal Bank Club Elects Officers

PHILADELPHIA, PA. — The eighth annual business meeting of the Municipal Bond Club of Philadelphia was held at Kugler's Chestnut Street Restaurant on Thursday, April 28th. At this meeting, the following slate of new officers was elected for the next fiscal year:

President, William F. Mills, The Philadelphia National Bank; Vice-President, George J. Hanley, Walter Stokes & Co.; Secretary, Leighton H. McIlvaine, G. C. Haas & Co.; Treasurer, Michael Rudolph, Stroud & Company, Inc.; Governors (two years), Newton Barber, W. H. Newbold's Son & Co.; William H. Hobson, Jr., Blair & Co., Inc.; Governor (one year), Freeman G. Grant, Dolphin & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The lowering of required reserves of member banks was not expected, although a change in requirements was looked for, at the time of or following the announcement of the June refunding. . . . This surprise move by the monetary authorities resulted in improved prices for all Treasury obligations which had been mildly on the defensive. . . . Although the eligible obligations were the leaders in market action and volume the restricted issues also came in for considerable attention. . . . Selling by the Federal Reserve Banks of eligibles, along with swaps by non-bank owners from the bank obligations into restricted bonds, has been sufficient so far to keep quotations of the bank issues from advancing too far. . . . Also there are still elements of uncertainty in the situation that will not be cleared up until the terms of the June operation have been announced. . . . These forces might be sufficient to temporarily hold in check prices of the longer eligibles. . . .

Nonetheless, easier credit conditions are being created by the monetary authorities, which is bullish on government bonds and this will sooner or later mean lower yields for eligible Treasuries, if the supply is not augmented. . . .

CAUSE AND PROBABLE EFFECT

Easing of reserve requirements of member banks puts more funds at the disposal of these institutions, which can be used for loans or investments. . . . The credit base has been broadened and the demand side of the equation has been strengthened without a corresponding increase yet on the supply side. . . . Unless the supply of eligible securities is added to, there may not be enough of these securities to go around, especially in the longer maturities. . . .

Because of this distortion of the equation, prices of the more distant bank bonds might go to levels that would not be healthy and would not be in keeping with the monetary authorities' previous statements of policy that an orderly government bond market is a vital part of the debt management program. . . . A market can be just as disorderly on the upside as it can be on the way down. . . .

INCREASING SOURCE OF BANK INVESTMENTS ESSENTIAL

If the government bond market is to be kept from going too far on the upside, and this does make allowances for a firm-to-buoyant uptrend, the eligible sector will eventually have to be supplemented. . . . Apparently, the Federal Reserve Banks and non-bank investors can supply the market for a limited period with the longer eligibles—at least until the refunding terms are announced—and this would tend to keep quotations from getting out of hand, but it cannot be done indefinitely with easier credit conditions, such as the money markets are now going into. . . . What should be done and will be done to meet the new conditions that have been created by lower reserve requirements could be horses of entirely different colors. . . .

Broadening of the eligible list could be done in the June refunding, since 1⅜% or 1½% obligations could be offered to bank owners of the maturing 2s or for part of the certificates. . . . The issuance of only certificates for the mid-year maturities, along with a reopening of the Savings Bonds, would be a temporary solution but it would not be as effective as would be the putting of medium-term eligible marketable securities at the disposal of the member institutions. . . .

As to the reopening of the restricted issues to the deposit banks, there seems to be some cooling off of this idea, although it cannot be eliminated entirely as a method of meeting the problem of keeping the eligibles from eventually getting out of hand, on the upside. . . . The 2¼s due 1959/62 accordingly continue to be the solid bond in the ineligible list because there are many who still believe this issue will be made available to the commercial banks, if not in the near future, then before the year is over. . . .

NEW YORK AND CHICAGO BANKS CHIEF GAINERS

The greater part of the funds that will be released by the lowering of reserve requirements will go to the New York City and Chicago banks. . . . These institutions will no doubt put the bulk of this money into the shorter maturities, although some of it will probably find its way into the distant obligations since these institutions have not been averse in the past to maintaining income. . . . If loans should come into the picture there would be less need for seeking higher coupon obilgations. . . .

On the other hand, with no change in the loan curve which has been down for several weeks, the need for earnings would be more urgent and this could result in an extending of maturities by the large money center deposit institutions. . . .

PRESSURE FOR HIGH-COUPON ELIGIBLES

The reserve city and country banks already have excess reserves, and to these will be added the funds that will be released through the lowering of reserve requirements. . . . These institutions are interested in near-term obligations in only a minor way, because they have deposits that are cost items and this means income must be retained in order to meet expenses. . . . Although the loan decline among these institutions has not been as sharp as with the banks in New York City and Chicago, there has been a sizable drop which, if continued, will have an adverse effect upon earnings. . . . Mortgages of the desirable kind are also not as easy to find as in the past. . . .

All of which could add up to a greater demand from the reserve city and country banks for the higher coupon eligibles, at least until something happens in the business situation that would open up other channels for the placing of these funds. . . .

FURTHER CUTS IN RESERVES POSSIBLE

If economic conditions should continue to deteriorate, there will undoubtedly be further cuts in required reserves and this would release more funds that would probably seek an outlet in eligibles. . . . Under such conditions what will happen to prices and yields of bank bonds if the supply is not increased?

Blyth & Co., Inc., Celebrate 35 Years as Underwriters and Investment Bankers

Charles R. Blyth, President (center), George C. Leib (left) and Roy L. Shurtleff (right), Vice-Presidents, three founders of Blyth & Co., Inc., at the Mt. Diablo Country Club, California.

Blyth & Co., Inc., nationwide underwriting and investment banking firm celebrated its 35th anniversary with a three-day session at the Mt. Diablo Country Club, Diablo, California, attended by 80 members of the firm's staff. The firm was founded in San Francisco on April 18, 1914. The original partners, Charles R. Blyth, George C. Leib and Roy L. Shurtleff are still active in the management of the firm.

In 1916 the firm opened a Los Angeles office and in 1919 expanded its operations to New York, thereby reversing the usual trend of East-to-West expansion of the investment banking business. Since that time, the firm has established offices in most of the important financial centers having today a total of 25 offices throughout the United States.

The Executive Committee of Blyth & Co., Inc., includes well-known men who have been identified with the investment banking business for many years. Members of the Executive Committee in addition to Mr. Blyth are: Charles E. Mitchell, Chairman of the Board; George C. Leib, Vice-President-Founder; Roy L. Shurtleff, Vice-President-Founder, and the following Vice-Presidents: Bernard W. Ford; J. Lawrence Pagen; Eugene Bashore; Lee M. Limbert; Stewart S. Hawes and Donald N. McDonnell.

During the past 10 years, Blyth & Co., Inc., has been among the top firms in the United States in the nationwide underwriting and distribution of investment securities. The firm now employs more than 450 people in its network of offices across the country.

Charles R. Blyth, President-Founder of the organization is well-known in investment banking circles throughout the United States. In addition to his business activities, he has a long record of public service including Chairmanship of the San Francisco Chapter of the Red Cross, President of the San Francisco War Chest and many other allied activities.

Mr. Blyth in commenting on the firm's 35th anniversary and its expansion into an investment banking firm of nationwide importance said, "Looking back over the period of our business career, gives a variegated picture of frequent and drastic changes. Established at about the beginning of World War One, we operated at first under difficult conditions, because of the effect of war activity; later to experience a period of apparent prosperity, culminating in the general collapse of 1929.

"Investment bankers were not alone in following costly policies and economically faulty principles which proved disastrous to many, but which may have provided our organization with some ideas as to the art of self-preservation, as well as preparing us for highly trying, but perhaps not such devastating experiences as were produced by the stock market collapse.

"With the advent of the New Deal, Investment bankers were in the front line to receive multitudinous and varying attacks by government on our veracity, probity and general conduct in financing the business of this country. Ideologists, politicians and bureaucrats eagerly declared an open season on investment bankers for the financial troubles of the past, much of which were laid at their door, with or without good reason.

"I think it is proper to say that almost to a man the investment banking fraternity met with remarkably good grace, the far-reaching changes imposed on time-established customs and cooperated fully to improve the practices of the past, while making workable new plans to service innumerable industrial and commercial undertakings for their financial requirements.

"I believe the public has long since reached the decision that investment bankers, while chargeable for many costly mistakes of the past, have proven a degree of integrity and reliability that entitles them to the confidence of the public and a place in our economy that is essential.

"Certaintly the enormous demands for capital which came into being since the last war ended and which are continuing with great intensity, are being met in a large measure by the efforts of investment bankers.

"My personal feeling is that notwithstanding the vicissitudes of more than thirty-five years of activity, the investment banking business has produced for me and my associates a never-ending source of interesting problems, highly satisfying associations and an unshakable faith in the soundness and dependability of the business policies of this country."

Investment Bankers Protest Section of Public Housing Bill Permitting National Banks to Deal in Housing Authority Bonds

William Alden and Samuel K. Cunningham, as NASD spokesmen, together with Thomas Graham, Robert T. Veit and George H. Stubbs as individuals, object to permitting commercial banks to underwrite and deal in bonds of local Housing Authorities.

On May 3 investment bankers appeared before the House Banking and Currency Committee in opposition to Section 502 of H. R. 4009 (Public Housing Bill) which is an amendment to the National Banking Act and which would permit commercial banks to underwrite and deal in the bonds of local housing authorities. A spokesman for the National Association of Securities Dealers, Inc., William Alden, of O'Neal, Alden & Co., Louisville, attacked the proposed amendment on several counts, stating that the commercial banks "are not essential to the program." Four other investment bankers appeared before the Committee as individuals although one of them, Samuel K. Cunningham of S. K. Cunningham & Co., Inc., Pittsburgh, was also authorized to speak for NASD of which he is an ex-Governor. Others who appeared were: Thomas Graham, Bankers Bond Co., Inc., Louisville, and Robert T. Veit, Shields & Co., New York, and George H. Stubbs, Jr., of Stubbs, Smith & Lombardo, Inc., Birmingham.

Pointing out that since 1933 Congressional policy has been to enforce the segregation of commercial banking from underwriting functions, Mr. Alden said in part:

"One of the principal reasons for the segregation of investment and commercial banking was to put an end to the possibility of banks acting in the dual capacity of bond dealer and investor for trust funds. It is our understanding that the statement which the banks filed with this Committee states that while they might be prevented from selling housing bonds to their trust funds while engaged in distribution, the bonds could be sold to trust funds after the syndicate operation is terminated. The practical effect of such a course would be to put the trust in the position of paying more than the issue price if the flotation were successful or of supporting the market for unsuccessful financing.

"The ability of the investment bankers to underwrite and distribute the proposed financing has been questioned. There are 2,698 underwriting and distributing dealers registered with the NASD. This group employs thousands of salesmen and distributes securities throughout the entire country. These investment dealers underwrote and distributed in 1948 some $9 billion of corporate and long-term State and Municipal bonds ($6½ billion corporate and $2½ billion State and Municipal). During this period we estimate the State and Municipal long-term underwriting of the commercial banks to have been about a half billion. Only a few of the commercial banks of the country engage in underwriting and they have very few salesmen. In addition, their participation in an underwriting would bar purchases for their own trust accounts during the life of the syndicate, and these accounts have been the largest buyers of Housing Authority bonds. For their own account (for portfolio) their interest would be in short maturities, while the major portion of the housing issues will be long-term. They are not essential to the program. Investment dealers can effectively underwrite and distribute the securities contemplated under this Bill."

Mr. Graham told the Committee that this amendment represented the "opening wedge for five powerful Wall Street banks and 20 others, including the Bank of America, to get back into the securities business." He declared that the banks have enough business and are making enough profit "without continually trying to move into other people's fields." He said that if the banks get into the housing financing the small dealers, for whom he spoke, might just as well fold up, adding, "we'll get very little of the housing notes and then the banks will get into the general bond business and hog it all."

Mr. Veit said that banks act in the triple capacity because they buy bonds for their own account, buy for their trust accounts and then lend to dealers to carry the bonds they buy, and they should be content to confine their activities to pure banking. Mr. Cunningham characterized this proposed amendment as a "step backward in progressive Federal legislation" and said that the abuses of the '20's were due to the fact that the banks more and more went into the securities distribution business, and the subsequent crash resulted in Congress requiring that the banks retire from that field. "To authorize them now to deal in housing bonds would be a step toward their again returning to all those abuses."

Sees No Need of Free Gold Market

National City Bank of N. Y. in "Monthly Bank Letter" contends open market for gold would not result in any substantial premium over $35 per ounce, and thus principal argument for free gold market is destroyed. Favors, however, removal of legal restrictions on transactions in gold and halt to paper money inflation.

In an extended analysis of gold prices and currency values, the May issue of the "Monthly Bank Letter" of the National City Bank of New York concludes that restoration of a free gold market would result in little, if any change, from the present official value of $35 per ounce and, therefore, would serve no use other than putting a "damper on premium trading in the foreign markets and squelch uneasy rumorings about the dollar not being worth the 35th part of an ounce of gold." Commenting on the situation, the "Bank Letter" states:

"For the past 10 years the dollar, tied to gold at the ratio of $35 to an ounce of fine gold, has been an anchor of international monetary stability. We have had a severe dose of inflation, but when we bear in mind the extent to which rationing cuts down the buying power of money in so many countries abroad, the dollar has lost about as little purchasing power as almost any other currency, and far less than most. Nevertheless suggestions are constantly heard that the tie of the dollar to gold ought to be strengthened, and now it is proposed that a market should be created in which anyone could freely buy and sell gold, with the effect of providing a test of how good the dollar is.

"The latter idea, which has gained rather wide currency in recent weeks, quite generally is predicated on the assumption that, in a free market here, gold would command a price well above the legal valuation of $35 an ounce. This assumption is not without support. Gold reportedly has been sold, directly for U. S. dollars, at prices around $45 an ounce in Saigon and in islands off the China coast. The South African Government realized $38.20 per fine ounce with its experimental sale. Moreover, gold coins of recognized value generally command somewhat higher premiums than U. S. paper currency in countries which do not effectively prohibit trading in both. Finally, gold in its natural state (placer gold), which legally can be traded in this country, has found a limited market at premium prices.

"What sort of a premium gold, in some convenient, easily identifiable form, might enjoy in free trading here no one can positively say. It is significant that the demand for gold comes dominantly from foreigners, especially from areas where people have experienced severe inflation and have learned to distrust paper money. At the same time, supplies to the market have been restricted by governmental prohibitions on exports and much of the gold trade has been driven underground where risks demand liberal recompense.

"Americans are not congenital gold hoarders and only turn to gold when other values seem threatened with utter collapse.

"Granted these conditions, and the confidence that the dollar enjoys, here and abroad, it is far from certain that gold would command any substantial premium over $35 an ounce in a free American market. If free imports and exports were allowed it is doubtful that there could be, under conditions as they have existed, much of any premium. The amount of dollars which foreign individuals have to offer in exchange for gold is far less than the amount of gold foreign governments have had to sell to get dollars. While some *millions* of privately-held dollars may have been used to buy gold at premium prices since the war, the amount of gold given up by foreigners in exchange for dollars, at the statutory rate of $35 an ounce, runs into the *billions*. In short, if foreign governments and central banks, which have been heavy sellers of gold for dollars, had sold their gold in free markets here, the Treasury almost certainly would have had to enter the market to maintain the price at $35 an ounce.

"This general conclusion would destroy one principal argument for the establishment of a free gold market, and put another one in its place. It would deny the presumed premium price to producers. At the same time the disappearance of premiums here would put a damper on premium trading in the foreign markets and squelch uneasy rumorings about the dollar not being worth the 35th part of an ounce of gold.

Gold As a Basis for Trust in Currencies

"The means for building back trust in currencies, where it has been lost, are two fold. First, as rapidly as feasible, legal restrictions can be eased on transactions in gold, within and between countries. There is probably no other formula for drawing gold out of hoards than assuring holders of the national currency that gold is available, at a stated price or parity, whenever they want it. Second, and *pari passu*, paper money inflation must be halted, government deficits replaced by surpluses, and the public credit restored or strengthened."

Economists' Group Opposes Free Gold Market

Maintains it would destroy fixity of our standard monetary unit.

Taking cognizance of the various proposals that are currently being made for a free gold market, The Economists' National Committee on Monetary Policy issued the following statement on Wednesday, May 4: "Proposals are being made in and out of Congress to create a free gold market of a type that accompanies an irredeemable currency system such as we had in 1862-1878 and as found in most other countries today.

"That type of free gold market, as a prelude to the adoption of a fixed gold unit, may be appropriate and beneficial for other countries which do not now maintain a fixed gold unit. But since the United States partially maintains such a unit, and has done so since Jan. 31, 1934, it needs no such prelude to stabilization. The need of the United States is for a free gold market in terms of its fixed standard unit.

"We recommend this type of free gold market for the United States at our present monetary standard rate of 35 gold dollars per fine ounce.

"We oppose those proposals for a free gold market that would destroy the fixed monetary unit which we now have in that portion of a thorough-going gold standard embodied in our restricted international gold bullion standard.

"The current confusion in this country regarding the difference between a free gold market, which is an integral part of a thorough-going gold standard, and a free gold market in a nation having an irredeemable currency and no fixed gold unit, even in its international relations, is unfortunate. Our government officials should not permit this confusion to lead them to destroy our fixed monetary unit under the guise of a type of free gold market differing from that which must of necessity accompanying a thorough-going gold standard."

The statement was signed by the following economists:

CHARLES C. ARBUTHNOT, Western Reserve University.
JAMES WASHINGTON BELL, Northwestern University.
H. H. BENEKE, Miami University, Oxford Ohio.
CLAUDE L. BENNER, Continental American Life Insurance Co., Wilmington, Delaware.
FREDERICK A. BRADFORD, Lehigh University.
J. RAY CABLE, John B. Stetson University.
WILBUR P. CALHOUN, University of Cincinnati.
CECIL C. CARPENTER, University of Kentucky.
ARTHUR W. CRAWFORD, Chamber of Commerce of the United States, Washington, D. C.
WILLIAM W. CUMBERLAND, Ladenburg, Thalmann & Co., New York City.
WILLIAM E. DUNKMAN, The University of Rochester.
D. W. ELLSWORTH, E. W. Axe & Co., Inc., Tarrytown, N. Y.
CHARLES C. FICHTNER, Buffalo, N. Y.
J. ANDERSON FITZGERALD, The University of Texas.
MAJOR B. FOSTER, Alexander Hamilton Institute and New York University.
HERBERT F. FRASER, Swarthmore College.
ROY L. GARIS, University of Southern California.
E. C. HARWOOD, American Institute for Economic Research.
HUDSON B. HASTINGS, Yale University.
JOHN THOM HOLDSWORTH, The University of Miami.
MONTFORT JONES, The University of Pittsburgh.
DONALD L. KEMMERER, University of Illinois.
WILLIAM H. KIEKHOFER, The University of Wisconsin.
WILLIAM H. KNIFFIN, Bank of Rockville Centre Trust Co., L. I.
J. L. LEONARD, University of Southern California.
EDMOND E. LINCOLN, du Pont Building, Wilmington, Delaware.
A. WILFRED MAY, Executive Editor, The Commercial and Financial Chronicle, New York City.
ROY W. McDONALD, Donovan, Leisure, Newton, Lumbard and Irvine, New York City.
DAVID H. McKINLEY, The Pennsylvania State College.
MARGARET G. MYERS, Vassar College.
CLYDE W. PHELPS, University of Southern California.
CHESTER A. PHILLIPS, The State University of Iowa.
CHARLES L. PRATHER, The University of Texas.
HOWARD H. PRESTON, University of Washington.
LELAND REX ROBINSON, 76 Beaver St., New York City.
R. G. RODKEY, University of Michigan.
OLIN GLENN SAXON, Yale University.
JOSEPH A. SCHUMPETER, Harvard University.
R. HARLAND SHAW, Conference of American Small Business Organizations, Chicago, Illinois.
WALTER E. SPAHR, New York University.
WILLIAM H. STEINER, Brooklyn College.
CHARLES S. TIPPETTS, Mercersburg Academy.
ALVIN S. TOSTLEBE, The College of Wooster.
JAMES B. TRANT, Louisiana State University.
RUFUS S. TUCKER, Westfield, N. J.
RUSSELL WEISMAN, Western Reserve University.
NATHANIEL R. WHITNEY, The Procter and Gamble Company, Cincinnati.
MAX WINKLER, Bernard, Winkler & Co. New York City.

Rockford Securities Elect New Officers

ROCKFORD, ILL.—The Rockford Securities Dealers Association held their annual meeting at the Mauh-Nah-Tee-See Country Club on Wednesday evening, April 20th. The new officers elected were Albert Surprise of King, Olson, Surprise & Co., President; John A. Ralston of Ralston Securities Co., Vice-President, and Robert G. Lewis of Robert G. Lewis & Co., Secretary-Treasurer.

Present at the meeting was Paul Just, Executive Director of Television Fund, Inc., of Chicago, and Edgar Greenbaum, technical adviser of Television Fund, Inc. These men gave the group a thorough briefing on the progress that has been made in the television industry to date.

To Be Lawler & Co.

The New York Stock Exchange firm of R. R. Thomas & Co., to be formed May 5 with offices at 36 Wall Street, New York City, will be known as Lawler & Co. Partners are Richard R. Thomas and James E. Lawler, who will hold the firm's Exchange membership.

Triborough Bridge and Tunnel Authority Markets Largest Revenue Bond Issue Ever Made

Nationwide syndicate headed by Dillon, Read & Co. underwrites offering of $141,500,000 2½% and 2¾% bonds

The largest sale of revenue bonds ever made has been arranged by Triborough Bridge and Tunnel Authority with the assistance of a nationwide investment banking group headed by Dillon, Read & Co. Inc. The total issue amounts to $141,500,000 principal amount of bonds and consists of $41,500,000 15-year 2½% revenue bonds due May 1, 1964 and $100,000,000 20-year 2¾% revenue bonds due May 1, 1969. Of the total issue, $21,225,000 15-year bonds and $84,900,000 20-year bonds are being offered at par to the public by the 243 members of the underwriting group. The remainder, consisting of $20,275,000 of the 15-year bonds and $15,100,000 of the 20-year bonds are being purchased directly from the Authority by certain banks.

The Authority will use a portion of the proceeds of the sale to repurchase at par its $107,750,000 outstanding 2¾% and 3⅛% revenue bonds held by Reconstruction Finance Corporation. Of the balance of proceeds (together with $688,500 other funds) $18,250,000 will be used to complete the Brooklyn-Battery Tunnel and the 1,050 car Battery parking garage now under construction, and $2,350,000 will be available for additions and improvements on any of the Authority's projects or for related connections or parks. The remaining $11,150,000 is to be distributed to bond reserve, interest and operating funds of the Authority.

The new 2½% and 2¾% bonds are subject to redemption at par by sinking fund on or after May 1, 1953. The bonds are also callable at any time at prices ranging from 102% to par.

The Authority is a public benefit corporation having jurisdiction over the Triborough, Bronx-Whitestone, Henry Hudson, Marine Parkway and Cross Bay Parkway toll bridges and the Queens-Midtown toll tunnel, and over the Brooklyn-Battery toll tunnel now under construction. The Authority plans to open the new tunnel before Sept. 1, 1950 with a toll rate of 35 cents for passenger cars. Upon the completion of this financing, the Authority's funded debt will consist of the new issue and $94,352,000 Triborough Bridge Authority revenue bonds (1945 Issue).

Revenues from the bridges are pledged for the benefit of the 1945 Issue. Tunnel revenues and, after the retirements of all of the 1945 Issue, bridge revenues are pledged for the benefit of the new issue. Based on estimates made by Madigan-Hyland for the Authority, and concurred in by Coverdale & Colpitts for the underwriters, all of the 1945 issue will be retired by early 1958, and the new bonds by mid-1965.

Link, Gorman, Peck Being Formed in Chi.

CHICAGO, ILL. — David B. and Roy W. Peck, both formerly officers of D. B. Peck & Co., have become associated with Link, Gorman & Co., 208 South La Salle Street, and the firm's name has been changed to Link, Gorman, Peck & Co. Carl F. Brown and David Dangler, both previously with D. B. Peck & Co., have also become associated with the new organization.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Interest of the late Malcolm W. Greenough, limited partner, in Hutchins & Parkinson, ceased April 29.

Robert J. Ullman retired from limited partnership in Oppenheimer, Vanden Broeck & Co. April 30.

Johnston E. Bell Co.

HUNTINGTON, W. VA.—Johnston E. Bell has formed Johnston & Bell & Co. with offices in the Twentieth Street Bank Building to engage in the securities business. Mr. Bell was formerly with Pioneer Enterprises, Inc. of Bluefield, W. Va.

With John G. Sessler

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Walter E. Guyette is with John G. Sessler & Co., 10 Post Office Square.

Sees Gold Standard Vital to Our Economy

Leland Rex Robinson, Vice-President of Economists' National Committee on Monetary Policy, tells Westchester savings bankers restoring gold standard is only way to control government costs.

Speaking at a gathering of the Westchester Division, Savings Bank Association of New York, in Yonkers on April 27, Dr. Leland Rex Robinson, Vice-President of the Economists' National Committee on Monetary Policy and Adjunct Professor of Political Economy, New York University, urged restoration of gold standard as an essential curb on wasteful government expenditure.

Leland Rex Robinson

"Honesty and courage in promptly restoring convertibility of the dollar into gold at its legally defined rate (since 1934) of $35.00 an ounce, would compel the matching of Federal revenue with outgo, make our unprecedented hoard of buried monetary gold more available for stimulating thrift and raising production, and help keep us as a nation strong and free," Dr. Robinson stated, adding:

"An illustration of the danger which short-sightedness holds in store for us can be seen in bills introduced in Congress which would establish a free market in newly mined and imported gold, without restoring convertibility of the dollar into gold at the rate set by Congress in 1934. At once, if free trading without redeemability were put into effect, our dollar would visibly go to substantial discounts and another miserably disturbing element would be introduced into the world's exchanges. On the other hand, the willingness of our government to convert dollars into gold at the fixed rate anywhere in the world would discourage speculators, bring us appreciably nearer a realistic and dependable readjustment in foreign exchange rates, and thus help open up a fertilizing flow of gold for the commerce and industry of free nations.

"Another patent illustration of the urgent need for perspective and realism in looking at our current economic and financial picture is in the vast field of income accounting — questions of the stability of the dollar entirely apart. Income of business corporations has been consistently overstated through inadequate depreciation charges in these years of high replacement costs. The upping of earnings by volatile inventory profits has also given us a false sense of security and helped to obscure the creeping paralysis of rising "break-even" points which will put on their "squeeze play" if volume goes off and prices decline.

"This kind of accounting gives exaggerated notions of the earning power and stability of American business, invites exorbitant demands by labor, subjects private enterprise to unjustified charges of greediness, and forces retention in business of very high proportions of nominal earnings while it discourages equity investment on the part of the public.

"On this latter point it is worth observing that new venture capital is conspicuously lacking in the United States today. The market for equities is our 'Achilles Heel' in financing the requirements of production and distribution. To such an extent has the pioneering spirit of risk bearing been sapped by unwise tax policies, governmental paternalism, spiritless security markets, and general ignorance and indifference that many corporations as well as property owners are incurring debts in such proportions as may prove acutely embarrassing in any real recession.

"Of course one answer is to let the government increasingly guarantee private debts and underwrite private income on behalf of one favored group after another. This is what always happens when sound economic principles are cumulatively violated. But it is no answer. If merely postpones the solution and enlarges the area of disturbance.

"The answer—and in it lies our future—is for a new stoutheartededness, a new faith in our country, a renewed sense of personal responsibility on the part of labor and management, a new emphasis upon productivity and efficiency to evoke cooperation and wise leadership on the part of the government. This is in the American tradition, and there is yet time to assert it."

W. B. Egan With Sills, Fairman Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—W. Bradshaw Egan has become associated with Sills, Fairman & Harris, Inc., 209 South La Salle Street, members of the Chicago Stock Exchange. Mr. Egan was recently with F. S. Yantis & Co. and prior thereto was an officer of Brailsford & Co.

Floyd C. Harper With William R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Floyd C. Harper has become associated with William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Harper was formerly with Floyd A. Allen & Co. and prior thereto with the analytical department of First California Co.

Business Man's Bookshelf

Causes of Industrial Peace Under Collective Bargaining—Sharon Steel Corporation vs. United Steelworkers of America—National Planning Association, 800 Twenty-first Street, N.W., Washington 6, D. C.—Paper—$1.00.

Drive for Controlled Economy Via Pale Pink Pills, The—Economic Research Department of the Chamber of Commerce of the United States, Washington 6, D. C.—Paper—25c per copy (25% discount on five copies or more).

Hidden Payroll, The — Non-Wage Labor Costs of Doing Business—Economic Research Department, Chamber of Commerce of the United States of America, Washington 6, D. C.—Paper—50c per copy; five to fifty copies, 40c each; 50 copies or more 30c. each.

Outlook for Continued High Employment — "Economic Progress Report No. 3"—Tool Owners Union, 1802 Massachusetts Avenue, Lexington 73, Mass.—Paper—25c.

Sterling Since the Convertibility Crisis—A Survey by the International Finance Committee of the National Foreign Trade Council, Inc.—National Foreign Trade Council, Inc., 111 Broadway, New York 6, N. Y.—Paper.

Letter Writing as an Art of Salesmanship

(Continued from page 4)

tremely vital. It is the sort of thing that every advertising man, with his wits about him, uses when he writes a letter. It isn't as hard as you think it is.

Take the advertisement in a magazine—I will pick one up at random here in "Printer's Ink." I don't even know the issue. It is June, 1948. It might just as well have been the issue that came out yesterday; and I turn it over to the back page. This man here is selling, I suspect, the "Buyer's Guide Issue." He is going to sell the buyers of advertising space a service. It is pretty much what you fellows are selling—service. Notice what he does in his headline — and this will hold true in every headline that you read written by a good advertising man. He says, "The buyer here wants to get the most for his money," so he puts here: "Works Like a Giant!" and the service is selling: "If you use the Power Buyers' Guide, you will get the giant's efforts behind your own." That is from the reader's point of view. It is the one important point. Any time you are writing any kind of copy, you get yourself in the reader's point of view before you even start out. Forget yourself, if you can.

This one here says: "Does Your Advertising Result in Sales?" The implication is that if you use advertising here—the I.B.M. punch card accounting machines down here use this statistical method—you can guarantee a direct measurement on the value of your advertising. It is from the reader's point of view.

You go on through all advertising. Here is even a better example: "How McGraw-Hill Digests Can Help You Profit From the Greatest Export Market in History." The implication being that when you buy your Digest, you will profit.

I don't care what you are going to write—if you want the other person to react, you have to look at it from his point of view. How do some writers do it? This fellow here wanted a company to buy some of his merchandise. He writes this letter:

"Gentlemen:

We have been checking your account and find that we have received no wick yarn orders from you for some time; and as we are now in production of this particular item, and have always serviced your needs, we are again enclosing a sample of the wick yarn that is being put up in four-ounce skeins at a special price of $2.25 per pound."

That is the opening sentence. He wants to open carefully:

"We have been checking your account and find that we have received no wick yarn orders from you for some time."

He says, "Gosh, how are we going to stay in business unless you buy our goods? Unless you buy our goods, we can't. Please buy some, will you?" And what happens. The reader is cold and ignores him.

This one says, "As a Thing-A-Majig Station, we are interested in the performance and dependability of your car." Now he had the right idea. He was thinking about the dependability of your car, but he starts off with, "We are interested, ———" You will never sell anything that way.

This man says, "We are endeavoring to build up a cooperative for handicapped veterans—" All these are written from this person's point of view: "Although we are very sure that we have previously written to you a method for providing insurance for one's legal liabilities and claims, our records do not show that you have such protection." The implication being that we have certainly warned you enough, and you haven't got sense enough to buy this stuff; and as long as you take that attitude, you will never sell anything.

The "you attitude" is an intangible thing. What is he going to get out of it? I know what I am going to get out of it. Let's coax and persuade him so that I will sell him.

Take this letter by Bonwit-Teller. It is a sales letter. It is written in exactly thirty-six words.

"Bonwit-Teller—Boston

"Dear Miss Cullen:

"When you shop in our Bonwit-Teller—Boston Store — you may, if you choose, simply say, 'Charge it.' Effective today there is a charge account for your immediate use. We hope you will find it a convenient timesaver.

"Cordially yours,
"Raymond Green."

That is all there is to it, and he has packed more selling in thirty-five words than most men can in three pages.

The "you attitude" is everything; if you don't have it, you will never write a successful sales letter. If you don't have it, you will never write a first-class letter of any kind. Suppose we keep that in mind.

I have given you no technique. I just told you, "Always look at his point of view. What is the customer going to get out of it?" Keep that in mind before you start anything, and if you get in the habit of doing it, it will become instinctive with you.

Do you think it is possible to have the "you attitude" and still use the personal pronoun "I"? Do you think so? Do you think you could write a letter with the "you attitude" and still say, "I did this. I am going to do this. I did that"?

It is not a matter of "I," and "you." I want you to remember that when I say use the personal pronoun "I". I know you are wondering about that. It is a matter of attitude, not words.

Visualize Your Reader

The second thing here is "who—what—why." That is the guts of this talk tonight. This is what I mean by it: Let's take the foundation of this thing. You are sitting down to dictate a letter. Let's suppose, for the sake of argument, that you are planning a direct mail campaign. You are a securities seller. You have sold your boss the idea of taking two hundred and fifty names out of an inactive file, and you tell him "Look, I want to write these people a letter. It will be the same letter in every case. I want to make them buy some securities, or at least invite me out to tell them about it."

Now, you are going to write to 250 different people. When I tell you that you have to visualize your reader, when I tell you you will have to get a picture in your mind of the person that is going to read your letter, how are you going to do it with 250 people?

All you have is the name and address. How can you visualize that reader? Do you get a picture of fifty and multiply it times five? Here is the trick: All those 250 people have something in common. They are not 250 people—for example, you fifty people tonight sitting here have very definite things in common. For example, you are all men. You are all fairly young men—all under thirty-two, aren't you? You are all men. You are all sitting here today taking a class. You are all students. You are all in the securities game; and you are all making over $10,000 a year. These are all things in common.

Insofar as we have very definite things in common, can't we add up all these things in common and make of these five, six, or seven things one person? A Mr. Average?

As a matter of fact, you will never write a letter of this type unless you do exactly that. This person doesn't exist really, but you take Mr. Average and you give him a name and make a person. Your appeals to him are going to be good appeals for all the other 249 people; and the idea is you can't sit down and write an intelligent letter unless you have a very clear picture of this one man, and write that letter to him. It sounds like a strange trick to do.

Here is what will happen if you don't do it: You will have a flat letter which sounds just as though it was designed to be words on paper. It will not be a living message, because you are not talking to a person when you are talking to 250 people; and you can't write a letter unless you are talking to a person.

I mean that literally—talk to a person, just as though you are talking to a person over the phone. That is the way the letter should sound. Before you start writing, visualize your reader under "who." Get as many points about that reader as you can, and the same thing holds true if you are writing to 250 names or 10,000 names, or one person. You get as clear a picture of that person, or that Mr. Average, in your mind. Once you do that, imagine that he is sitting alongside the desk next to you. Now, you will talk to him in a friendly, personal way. That is the "who."

If you know all the things about your Mr. Average, you know what is going to appeal to him. Now, if you know what is going to appeal to him, you can write an intelligent letter to him. You don't tell him about this kind of stock or issue, or that kind of stock or issue. You draw up some of the benefits that you wouldn't go to another type of investor for.

It is very, very important that we think of Mr. Average and we write to him personally. Don't be afraid of "personally." That is the only kind of letter that works.

Keep that in the back of your book, this business of analyzing your prospect, and getting a very clear picture in your mind of him. That is the "who."

Let's take the "what." We have the "what" here. It means that we are going to take our proposition—everyone of you has a proposition to sell. How do we get it across to that person that we have already described? There are two things: Features and Benefits.

In every proposition, product, or service there are really two things to be considered. I call them features and benefits. This is what I mean: Let's suppose that we are handling radios—and I take that product because it is easier to understand these two words from a product, than from a service.

Suppose we have a radio, and it is a portable radio, and we have in there the engineering details that some designer put in it. We have in there six tubes. We have in there a very powerful battery. We have a built-in antenna. We have a very pretty case. We have push button controls, a handle, and other things. Those are features. Those are put in there by the engineer. But as far as the salesman is concerned, they are of little value, because very few laymen have the faintest idea why one design on the outside is better than the other, why a battery works, and what they are buying; and what a good salesman sells him is not features, but benefits.

Now as to your proposition—I don't know anything about securities. Maybe we will ask one of you to give me one proposition, and we will try to build up the features and benefits out of it. I don't know anything about securities. You do. These principles will work exactly as well for you fellows as they will for anyone else. I can write a sales letter about a portable radio, but I don't know anything about it.

Suppose we take our proposition and we think of it in terms of features, and we try to think of them in terms of benefits.

We have found people, who have done this in a group, who actually found out certain things about their product that they didn't know themselves. This is called analysis, and now you know what it is. I wonder how many of you ever sat down, taking your proposition apart—and not just reading the literature that the advertising people wrote—after all, they don't know a thing about securities. You are on the firing line, most of you. You are meeting people. You know what they want. You know what your proposition is to offer—that is, you should know.

Have you ever sat down with a pencil and paper, preferably three or four of you, and get some stranger in to ask questions? You will end up with a list of benefits as long as your arms, and a list of features you never thought of before. The oddest thing about it is that the layman out here who is buying these things, is going to react to some curious little benefit that you never thought of before. As a good securities salesman, you may say that doesn't make much difference, but he says, "That is what I want."

Analyze Your Proposition

Unless you analyze your proposition, you will never be able to sell it. Many of you people have been selling the same two or three things over and over again. There are a lot of people out there that are just waiting to be sold anything if you find the right benefit to offer them. I don't know what it is. You know your proposition. It might be safety; it might be safety for their money; it might be something else. I can think of any number of elderly people that don't even want to clip coupons. They want only checks to be put in the bank. That is all.

The trick in writing a sales letter, and writing any copy, and selling anything, is to know so much about your proposition that you can get enthusiastic about it. You build yourself up, and you get to the point where you are doing the fellow a favor by selling it.

Of course, if you have the proper "you attitude," you will not sell him something so that you will get twenty-two extra dollars in your paycheck next month. When you get that "you attitude," and learn that proposition—you investigate it and dig in and write it down, and think in terms of the people you have been selling—that is the "you."

When you do this, you are going to find out strange things about people, and the service is going to overflow, and the people are going to thank you. I know it works. I have done it.

Now, we have done one analysis. We are going to give you all an opportunity later of doing this.

I have gone this far to build you up in the first lesson on technique. By technique, I mean "How do I write a letter?"

Finding Out What Your Customer Wants

Here is the first lesson: After you have decided who Mr. Who is and what makes him tick, and how much money he has, and how old he is, and what benefits he would like—after you know Mr. Who really, and after you have analyzed your proposition backwards and forwards, and inside out, then you are going to say, "This fellow here, I know the man. He won't care about these. He won't care about this benefit. He doesn't care too much about safety. He is a gambler. He wants to invest some money. He doesn't have too much money. He only has fifty or sixty dollars a month to play with. He doesn't want any safety. Less work—that's it. He is as lazy as can be. He just wants me to take all the worries off him, and every two or three months we will say, 'Oh, we had a lot of fun with your money. You made $42.50 last month.'"

This item here doesn't mean too much to him. He has enough to live on. That's out. This is out; and "freedom from investment worries"—that's what appeals to his laziness.

Now, you have got the trick. You have gotten down there and you have found the benefits that will appeal to Mr. Who. After you have chosen the benefit he wants, put it in your first sentence. It is a technique of letter writing, and it never fails. Put that benefit in your first sentence.

Now, you can spot an effective sales letter a mile away by just reading the first sentence and reading the last sentence. You don't even have to read the middle. You know it is good enough.

For example, here is a good one. This one says—it is written to a house owner, who has a lawn, and who is proud of that lawn, and wants to keep it up. They want to sell him a service. They want to analyze his soil and make it even better. That is what they want to sell. So, the opening sentence is a headline. It says, "How to End Worries Over Scraggly Lawns." The implication is no more weeds, no dandelions, no bumps—a smooth, green lawn. You will notice from the very first word, they don't waste any time with introductions. They don't waste any time by saying, "Having received your letter in which you inquire about this—" Forget it. From the very first word, start telling him about the benefits he will get, and make no apologies about it either, because you are doing him a favor. Tell him right from the first word what he is going to get out of it. There is no trick to it.

Many of you will find you write your best first sentence beginning with the third paragraph. Right? So that all you fellows have to do is throw the first two paragraphs away and start your letter with your third paragraph. You can check your carbon copies and find out that the first paragraph or two was nothing but an introduction.

Remember this: When you are selling anything, or writing anything, the most important five words that you have in your command are the first five; and, brother, if you don't sell them then, you are going to have a heck of an awful time selling them later.

First Five Words Most Effective.

The first five words, is when you are going to sell him. It is nothing dramatic, or nothing sensational. It is just something he wants to hear. He wants to hear how there will be more money, less work; so tell him about it. He doesn't want to hear that you received his letter. He doesn't want to read a letter like this one: "We beg to acknowledge receipt of your communication of October 2." Or this one: "Your letter of April 5 is received today, and contents duly noted." Don't laugh too loud; you have all done it. Here is another one: "Replying to your letter of June 10, we regret to advise—"

That is the sort of standard opening that too many men use. From now on in, when you write a sales letter, or any letter you write, if you tell him that you will help him out, he will really sit up and take notice. If you have

that as an opening sentence, he will read the first few sentences, and then the new few paragraphs, and get by the next two pages.

Once you learn how to write, once you get a few tricks under your belt and see how it is, you are going to become inebriated with the exuberance of your own verbosity, and you just sail on and on and on. You are telling a reader, a client, about the things that are good for him, things that he will get. If you say it simply and directly and personably so that he can understand it, he will read seven pages. Not that I recommend a seven-page sales letter.

The only reason why a fellow stops at the end of a three-quarter page letter is because he feels he is boring the other man; and if you are afraid you are boring him, you probably are! Here is a test to apply: If I speak at the rate of 120 words per minute—100 words per minute, just to make it round numbers—and if I were to tell you that the ordinary page, full page, typed has perhaps—oh, you can't get any more than twenty lines, if you really tried it, with eight words to a line. That makes 160 words. Would you say that 160 words, which, by the way, can be read faster than it can be spoken—160 words will take about a minute and a half—would you say that you are a good enough salesman to sell a man something in a minute and a half, starting from scratch?

Remember, when your letter gets to his desk, how many letters are there on the same desk with yours? As a general rule, there are several. He always has in every mail five, six, seven or maybe fifteen letters, if he is a busy man. Your letter is going to sell him in a minute and a half. Your personal call is infinitely better than a letter in such a case. Remember, it is only people who are afraid of their ability to get their ideas on paper that will say, "I have to do it in two paragraphs, or twenty lines."

Get Customer's Interest

The trick is to get his interest. Tell him things he wants to know. Remember, you are doing him a favor. You are enthusiastic about it. Even if the SEC says you must not say this, this and this, get in your letter about the rest. Stress what he is going to get out of it, and if you believe it—if you are pulling his leg, of course, then you stop after two paragraphs. But if you really believe it is good for him, to be able to tell him all about it, and if it runs into a page and a half, let it run into a page and a half. Forget all this about a short letter being two paragraphs long. Master sales letter writers are never afraid of going too far. They know what Mr. Who wants before before they write to him, and you people should, too. You are writing to a man about something you know he wants to hear so you can write it a little bit longer if you want. All this started from the first sentence. Where do we go from there?

We have said that these investment trusts are a lot less work, with larger income—and, of course, you are saying that in a much more sprightly way than that, but you will get the idea across. He says, "Fine, I don't like work; I am allergic to it. I like a larger income—that's good, but how?" The rest of the letter just tells him how he will have less work, it will define how he will get more income and all those benefits by just taking your ordinary sales pitch which you use everyday and putting it on paper; but keep yourself in the terms of benefits that you started with. Get the letter unified with one big benefit.

You can all explain that. You feel that if he is a sensible man at all, he will agree with you that he wants that benefit.

We know how to get an opening now to any sales letter. We analyze Mr. Who. We analyze our prospect, and put in an opening sentence. We explain that benefit, and we have what we call a build-up.

Incidentally, don't get me wrong. Every sales letter doesn't have to be two pages long. It is just long enough for you, with your instinct of a salesman, when you know you have said enough. There is no such a thing as an arbitrary rule.

The best letter, according to one of the leading writers in the country is this one. (A letter by Bruce Barton.) It has three pages. One of the best sales letters I have ever seen was the one I read to you from Bonwit-Teller—thirty-five words.

Now, a good salesman knows when he has sold his prospect. That is how long your sales letter should be; but it is absolutely criminal if you stop and don't give the man all the information he needs to have to act. It is criminal, and most people stop it, because somewhere they heard: "Don't write long letters. They won't read it."

A three-line letter, wherein one of those lines is unnecessary, because it says, "Replying to yours. —" A three-line letter like that is too long. A two-page letter that tells the man just enough to act on an intelligently is just right.

Let me read a sample of a letter that presents a pretty intelligent build-up. Before I read this, we have gone through here this first hour, and we have learned a little bit about starting and getting a point of view—getting the opener written by analyzing the prospect and the product, putting them together, and then explaining it.

I will read here a letter which illustrates the welding of features and benefits in order to make a person react favorably. It is a letter on real estate. It is a real estate salesman trying to persuade a man to buy his house. I want to you to notice, as I read it, how he mentions the features, and immediately, when he mentions a feature, he mentions a benefit right after it. It is nothing fancy, and yet it is strong.

"Dear Mr. & Mrs. Jerkins:

"I don't sell real estate. It is a lot more fun to find a perfect home, and then the people who belong in it, just as you folks surely do belong in the Oak Ridge Home, which Mr. Jerkins asked me about."

Notice the benefit there, "the home was made for you people; you belong in it; it is just right"—that is the benefit; that is his opening paragraph.

The second paragraph goes on. Now he is going to define how this home is the one you belong in.

"When John Boardman, the famous architect, designed this prize-winning home, —"

A feature.

"— the one not far from your golf course —"

A benefit.

"— he must have visualized it set in an acre of trees and shrubs, as it does now, and folks like you who would love it as much as he did when drawing the plans.

"You, Mrs. Jerkins, will be delighted with the studio living room, with its huge fireplace—plenty of space for a dozen bridge tables without crowding—and you, Mr. Jerkins, would surely be a proud host in the tiled recreation room with its unusual bath."

A feature. Notice the way this fellow is taking a little empty space above the garage, hardly a feature in a $25,000 home. Notice how he sells the room above the garage. Notice how he does it from the benefit viewpoint.

"Then over the garage is the perfect place for you to write your stories. If you are like me, you always have wanted a hide-away. Every man needs one, and especially a writer like you.

"Maybe Mr. Boardman was thinking of folks like you—or maybe he just loved dogs and couldn't imagine a real home without them—when he designed the kennel so cleverly hidden behind a brick wall covered with climbing roses."

That is the build-up. He didn't sell him the plumbing in the house. He sold him a little hide-away for the man to write his stories in. He sold a large living-room to the woman, and he sold a kennel cleverly hidden behind a brick wall covered with climbing roses, because they love dogs. That is all he sold them. They are all benefits.

It is very simple. He had analyzed the reader so perfectly, he could have gone on for pages like that, and the fellow would have kept on reading and reading, and saying, "Gosh, that was just made for me." Of course, he will think that he will be a very wise buyer, when all this salesman is doing is just showing it to him in the way of benefits. That is all there is to it.

This one here says: "When Millions Were Actually Thrown in the Gutter!" This is his opening, and, incidentally, he doesn't bother with any "Dear Sir"! It is a sales letter. He isn't ashamed of it, so he uses a headline, and the person will never miss the "Dear Sir:"

He uses the "Dear Sir" spot with: "When Millions Were Actually Thrown in the Gutter!" He is going to show you how to save some of your millions.

"When Millions Were Actually Thrown in the Gutter!

"'The most expensive gutters in the world'—that is what they called the canals of 1830, which cost $200,000,000 to build, and were doomed by the locomotive. What do you suppose they will call the trenches of today, where whole gangs of laborers take days to dig up stretches of expensively paved streets, just to lay pipes or cables or drains under them?

"'The most expensive ditches in the world' — probably. For those same holes could be bored at a tenth of the cost with a Hydrauger!"

Notice what he did here. He takes the benefit, and saves it for a little later. He is giving you a story to get you interested, of course. "When Millions Were Actually Thrown in the Gutter!" Yet, there is nothing sensational about it, but you are interested in knowing what was going on; and right in one paragraph, all by itself, he puts his benefit: "For those same holes could be bored at a tenth of the cost with a Hydrauger!"

"All the work of tearing up paving, all the expense of resurfacing, might just as well be thrown into the ditch, for all the need there is of it or all the good you get out of it.

"You see, the Hydrauger bores under the street. It can make any size hole from 2½ inches to 10½ inches. It can bore any length up to 120 ft. It works as fast as a foot a minute, and it costs only 10c to 30c a foot!" For emphasis, a thing to remember, he puts that paragraph there where your eye is thrown right on it, indented and surrounded by white space above and below. That is a simple mechanical device that any of you can use, to get added emphasis in your punch line.

I like your punch line all by itself in the paragraph. Build up, if you're building up for a punch line, in the middle. Your punch line should be in one paragraph, all by itself, and it will stand out and be memorable. This man does it.

He is going to explain how to do that for 10c to 30c a foot. He wants to prove it; so he says:

"'In 1930, we made plans for installing water mains in a newly incorporated borough,' writes the Richmond Township Water Co., of Windber, Pennsylvania, 'through which passes three paved highways. Our permit was conditioned upon not breaking the paved surface of the highway. Thirty or more crossings were necessary. The Hydrauger enabled us to do the work in 1931 at minimum expenditure. We knew of no better or more economical machine for its purpose. We completed the entire job for less than half the estimated cost of tunneling.'"

Notice what he has done here. He has made his point, but he isn't sure you are going to believe him just because he says it; so, he quotes a disinterested buyer who thought enough to write him a letter. Now, if you can get a testimonial, there is a build-up; and everyone of you, I am sure, has one satisfied customer who is willing to admit it.

Write yourself a testimonial that he will sign, and then take out the paragraph you specifically wrote for this letter, and put it in. If you use a testimonial like that, that means a lot. John Smith says this about this security. He got such-and-so, and this-and-so, and what-not. Take his quotation and indent it, and put double spaces around it, and let it stand right off from the rest of the letter.

There are just a couple of good letters. Notice what they do. They have figured out what their reader wants to hear. They have analyzed their proposition. They have got an opening that is pretty good, and built it up. You build up, your letter just as if I were to say to Mr. Hoffman, "Would you explain to me about investment trusts? I have a little money to invest," and he will say, "I will be glad to. You will find if you have an investment trust, you will have less worries, and more income, and such-and-so."

"It is that such-and-so which I would like to hear about. What does that mean?" Then he will explain at length—as a matter of fact, we all know he can talk for two hours on just investment trusts, and their advantages, which is on the such-and-so.

Don't be bashful. If you have a thing that he ought to know about, tell him. Don't stop with three paragraphs. Remember how long it takes to read a letter. I don't think you are going to sell anybody in a minute. Take three minutes and make it interesting.

Let's get to the "why," perhaps, in many ways, the most important part of the letter after it has been read. We have a very definite purpose in writing every letter we write. If I am in the direct mail business and I am writing a letter to a customer, I want him to get out his checkbook, sit down and write out a check, fill out an order blank, and send it back to me that minute, not tomorrow, not this afternoon, not sometime, but right now.

If you were sending out direct mail to security buyers, potential buyers, you will want that person that reads it to do something the minute that he finishes that letter. He will very seldom take out a checkbook. Rather, you want him to call you on the phone and say, "Why don't you come down on Tuesday afternoon and tell me more about your proposition? I am interested."

Or, all you want him to do is to fill out a penny post card and send it back, and you will give him more information. He just wants some information; and you want him to sign that card and send it to you so that you can send the information to him. Or you want him to put it in some kind of a form and put it in an envelope and send it back to you. Probably your sales letters are written not to sell a man a security—that is too direct. But you are trying to get the man to do something or sign something the minute that he finishes the letter. That last paragraph always tells him exactly what you want him to do. For example:

"Your name on the enclosed card will bring full information by mail without obligation."

"Sign your name on the enclosed card and drop it in the mail today."

Take any decent sales letter written at random:

"We have enclosed a postage paid, airmail reply envelope to speed your order on its way. Use it now."

The "Time" man, in one of his famous sales letters (this last is a "Life" letter, but it is the same writer, Frank DeWitt Pratt) writes these two-page letters, and one of his favorite tricks is to put an airmail stamp right in the middle of the letter, and he builds you up with sixteen reasons why you should resubscribe. His action—that is what it is called — the "why" of the letter—his action says: "Take that five-cent airmail stamp and fly back your order today."

Notice how specific he gets here. The whole purpose of the letter is wrapped up in the last two lines. You want him to write back to you. You want him to do something. Never let a man read a letter and stop there. It doesn't work. Have him do something. Have him call you on the phone. Have him sign a penny post card and send it back. Have him do something.

I can't tell you to be specific enough: "Sign this card and send it back, and I will send back this little booklet which is chockful of information that you would like to have. All you have to do is sign the card and send it back today. Use the envelope I enclose."

The trick is this: If you don't make it easy for him to act, he probably won't act. Don't ever forget that the person you are writing to is a very distracted person. Take yourself, for instance, when you sit down here to read the daily mail. First of all, you have the other nine or ten letters calling for your attention. Perhaps you woke up that morning and your wife burnt the toast, or you had a flat tire and had to ride the subway, and somebody stepped on your favorite corn. Your telephone is ringing while you are reading the letters, and your secretary is coming in, and everything is going sour.

Even if everything is going right, there is always something wrong. Make it easy for him to act right then and there, or he is going to forget about it—give him a card that he can write his name on and drop in the outgoing basket—you have done it. As a matter of fact, every sales letter can be checked by the returns you get; and if you send out a sales letter that isn't doing well, read your last paragraph.

Never Give an Alternative

Never give him the alternative: "Would you fill out this penny post card, please? Will you call me at the office?"

Tell him to do one thing, and tell him to do it specifically; and from now on your last paragraph will always be limited to that. Tell him what you want him to do, exactly how to do it, and make it easy for him.

Now, there is one deal here in the action part that many of you people could use. You realize he is a busy man. Perhaps he would like to talk to you at some future date. You want to encourage him to act now, so you want to offer him something free for his efforts. It is called a premium. There are any number of premiums that you can offer. Take one of the most successful insurance sales letters I have ever encountered—I know it is good, because I know it has worked. They have gotten upward of ten or fifteen percent returns, which is splendid. That insurance company offers the reader an en-

(Continued on page 28)

Letter Writing as an Art of Salesmanship

(Continued from page 27)

graved diary. Here is a good point. This insurance company knows that that reader hates, above all things—including securities salesmen—he hates insurance salesmen. He hates them. Your insurance company is realistic. If they write to him and say, "Please let our man come down and tell you all about our wonderful plans for future," he will say, "Nuts," and in the wastebasket it goes.

They have a little engraved diary, which probably cost four cents by the carload, and another penny to engrave them. "If you send back your penny post card, you will get your diary by return mail," and they get ten to fifteen percent replies, just by offering a premium that has very little value, but it is free.

Sometimes they put that in the first paragraph: "Would you just jot your name on the card I have enclosed. I want to send you your engraved diary, engraved with with your name in gold. It is a dandy diary and you can make notes and things in it," and he goes on in the first paragraph and describes it.

In the second paragraph he says, "We are not doing this for nothing, of course. We are doing this because we want our salesman to give you an opportunity to tell you about a good plan for your future." It goes on for several paragraphs.

If you are doubtful about your proposition getting over, see if there is some premium kicking around the office that you can give him—an old tie clip, or something. You will be amazed what premiums will do.

Have you ever heard of the Kix airplane ring? You send two box tops with twenty-five cents, and you get back a little ring with a little airplane on it. You press the button on the back, and the airplane flies right out. If you send a box top and a quarter you get this ring, and 3,000,000 people have sent in quarters—that is in the last three months.

Have you noticed that all the cereal manufacturers don't sell cereal? They sell premiums. As a matter of fact, these premiums are of very small value. I can't understand myself how people will take in an insurance salesman for a little diary that they can buy for a dime, but it is something free for nothing.

I know at least one of you who is offering premiums of little sketches about the value of good securities. A good copywriter will write you five or ten, and it won't cost you much. Have it done by the offset process in color, and it will cost you three or four cents more. But you will be amazed at what this business of free premiums will do in getting business for you.

If it is a pretty good premium, put in it the first paragraph. And maybe, put a one-cent stamp on top of the letter.

Instead of starting with the fact that you are giving away a premium (forget the "Dear Mr. So-and-So:" He knows who he is. Forget the "Dear Sir:") place right there a penny stamp and say, "Use that stamp right now on the card that is enclosed, and you will get back your copy of the booklet 'How Investment Trusts Will Make Your Dollars Grow'," and describe the booklet there; and you will be amazed at the number of people that will take that stamp off, put it on a card, and mail it back, and ask you to come up and call on them, too.

You have got now the "Mr. Who," "Mr. Average." Always get that person. Write to a person.

The "what": you know how to analyze your proposition for its features and benefits. We think of features only to get the benefits; and now we know how to get action. That is the "why" of a sales letter. Never write a sales letter without getting him to do something; and if you can't do that, give him something free.

There we have the "who—what—why."

The most important thing of all when you are writing your sales letters, is this: If you have an office boy, if you have an office boy kicking around your office who is about fourteen years old, and was kicked out of high school, or if you have the dumbest stenographer in the world in your office, have him or her read every sales letter you write. If they tell you right back quick that they can understand what that letter says, then you have got a pretty good sales letter.

I will tell you why. The person that is going to read your sales letter is not an unintelligent person. He has more brains than you think, but never forget this one big thing: He is in a hurry. He is going to give you something like ten seconds, or less, to put over your big idea. This man down here tells me about my dollar shrinking; and, as a matter of fact, that is true—we all agree they did—and he has got a fast, easy way to stretch them back. He has got my attention and my interest, because he is promising me a benefit, and notice the language he is using, such as a twelve year old could understand —not that I haven't got the brains of an eighteen year old, but I am in a hurry; I haven't got the time.

Some of the other fellows here use words like "high yield." Anyone of you, perhaps, can tell me what "high yield" is, but can I get a picture of "high yield"? Of course not, because "high yield" is a relative word. "High," of course, is relative to "medium" and "low." "Yield" itself is a relative word. It always means that something is working here, and there is a little left over—that is the yield.

So, those two words are in reference to two other things, and I haven't the faintest idea what the other two things are.

So, never use words that the reader cannot understand. Write it so your office boy, your dumbest stenographer — and I mean that literally—could read it and understand it. If you do that, you will never hitch together clauses. You will never use any word, if you can help it, with more than one syllable.

Here is a rule, if you want it: Make sure that three out of every four words you use are one-syllable words. It sound fantastic, but seventy-five percent of your letter has to be one-syllable words. It can be done. Here is the way a master does it. I won't have a chance to read all of it. This is a letter written by one of the leading copywriters in the country. I think you have all heard of Batton, Barton, Dursten & Osborne. If you haven't heard of them, you no doubt have heard of Bruce Barton.

What he wanted from this letter was to have twenty-four millionaires send him $1,000. He was going to put in $1,000, and they were going to have a fund to help a poor college down in the South.

Now, he is going to get $1,000 from a millionaire. Sometimes it is a lot easier to get ten cents from a washerwoman than it to get $1,000 from a millionaire. Notice the way he does it. He uses a simple technique, and notice language, if you will.

"For the past three or four years things have been going pretty well with Mrs. Barton and me. We pay our bills afford such luxuries as having the children's tonsils out, and still have something in the bank at the end of the year. So far as business is concerned, therefore, I have felt fairly well content."

And he goes on:

"But there is another side of me which is unsatisfied and restless. I say to myself: 'What good are you, anyway? What influences have you set up — aside from your business—that would go on working if you were to shuffle off tomorrow?'

"Of course, I chip in to the church, and the Y. M. C. A., and a social settlement; and I've paid back to Amherst whatever it lost on my education and to Wellesley for whatever Mrs. Barton's four years cost there. And I dribble out a little money right along in response to all sorts of appeals. But there isn't much satisfaction in it. For one thing it's too diffused; and for another, I'm never very sure in my own mind that the thing I'm giving to is worth a hoorah, and I don't have time to find out.

"A couple of years ago I said: 'I'd like to discover the one place in the United States where a dollar does more net good than anywhere else.' It was a rather thrilling idea, and I went at it in the same spirit in which my advertising agency conducts a market investigation for a manufacturer. Without bothering you with a long story, I believe I have found the place."

He goes on like that, building up a story. He is building up a story, and he hasn't really swung into his letter yet.

One thing I want you to take away with you, though, when you are writing, write just as simply as you possibly can. If you use a two syllable word, think of Sullivan, and scratch it off, and don't use it any more; and don't use any more words like liquidity and dependability. Don't say, "Growth in capital assets." Now, that is wonderful to a banker; that is wonderful to another securities man; but to the ordinary person who has $1,000 to invest, it doesn't mean a dog-gone thing. Talk in his language. Don't say, "Growth in capital assets."

See if you can explain so that your kid sister can understand you. They will thank you for explaining it simply to them; and, believe me, friends, they will act.

To sum it all up, get yourself in the right shoes before you start. Make sure you have the right spirit when you have the "you attitude." When you have got that, plan your letter logically. Get a picture of the man. Get the facts straight. Know why you are going to write the letter. Then when you dictate it, don't use anything but the simplest of words, and you will have a pretty good letter.

I want to thank you very much for your courtesy and your kind attention.

John C. Kahn Forms Own Investment Firm

WASHINGTON, D. C. — John C. Kahn has formed John C. Kahn Co. with offices at 1108 Sixteenth Street, N.W., to engage in the securities business. Mr. Kahn was formerly local manager for L. D. Sherman & Co.

Now Sole Proprietorship

LA GRANGE, GA. — William A. Richardson is now sole proprietor of Griggs & Richardson, 114 Main Street.

Two With Colvin & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Norman R. Dunn and Ellis E. Lowen are with Colvin & Co., Russ Building.

Chicago Stock Exchange to Vote on Merger

Membership asked to approve plan to consolidate with other leading Midwest exchanges. Project calls for governing board in which Chicago members equal the combined representation from the other exchanges.

It was announced on April 28 that the Chicago Stock Exchange was submitting to its members for approval a plan of consolidation with other leading Mid-Western stock exchanges, comprising, in addition to Chicago, the exchanges of Cincinnati, Cleveland, Minneapolis-St. Paul, and St. Louis. Members of the Chicago unit are requested to submit their votes by May 12, but the time for the other exchanges to submit their approval is set at 60 days. The plan provides that the merged organization have a Board of Governors consisting of two members from each city, other than Chicago, while Chicago will have a representation equal to the others combined. At present, the Chicago Stock Exchange has 300 members, and it is estimated that membership in the other exchanges total about 126. These will be allowed to buy membership in the merged organization at the fixed price of $2,500 each.

In reporting the plan, the joint drafting committee remarked: "A survey of the nine-state area in the Midwest tends to show there is sufficient local listing material to support and build a consolidated exchange. But it does not appear that the territory can be expected to sustain reasonable growth possibilities for several regional exchanges. Consolidation offers the possibility of better markets in singly and dually listed issues. It could provide a potential new source of income to member firms. It should improve the possibility of securing new listings."

Emil Schram, President of the New York Stock Exchange, gave out the following statement regarding the proposed Midwest merger:

"If the objective, as indicated, is to provide facilities that will make for an improved market and that will attract to the proposed organized exchange the securities of good local companies, the undertaking should be encouraged.

"I feel that I should make it clear, however, that if there is any departure from the stated objectives, in the direction of a dilution of the national market provided by the New York Stock Exchange, such a step would be seriously detrimental to the public interest. All experience has shown that the best market is the one in which there is the greatest concentration of orders to buy and sell. I am pleased to note that, in their preliminary proposal, those who are seeking to consolidate a group of regional exchanges recognize this fact."

A Political Challenge to Business and Industry

(Continued from page 19)

tens of millions of people are individually productive. It is the high producing capacity of the average individual which produces the result. And this capacity cannot be expected to spring from longer hours or speeded-up effort on the part of the individual. If we are wise, we will always head in the other direction, toward greater output at less expense of time and energy. At least in my opinion that is the meaning of productivity.

The notion that many can have plenty by taking it from the few is a political phony as old as history. The few never had that much and never will. The way to plenty for the many is increased productivity by the many.

We are so accustomed in this country to the statistics relating to our own steady increase in living standards that we ought to compare ourselves more often with other areas of the world. We must remind ourselves that half the population of the world lives continually under the threat of hunger, want, disease, and starvation. Half the people of the world drag out their weary lives in destructive poverty, ignorance and filth, using all their energies just to keep alive. A wage earner in India may make as little as 5 cents a day. In China his income may be no more than a cent an hour.

It is certain, on the other hand, that the ability of these hundreds of millions of people to produce can be vastly increased and their standard of living raised beyond their highest dreams. The Director of Agricultural Production for India has estimated that an irrigation program could raise food production 50% to 100%. Studies indicate that a series of dams would not only irrigate some five million additional acres, but would conserve soil, control floods and increase electric power 300%. The people of India equipped with these advantages could increase their individual productiveness and raise their own standards of living tremendously.

It has been said that if as little as 15% of the labor force in backward countries could be shifted from production of food to other work, the per capita income of such areas would double.

When we are talking about economic security and similar advantages, we are talking about an increase in the standards of our living. It seems to me that we cannot escape the fact that such an increase must be accompanied by an increase in the producing capacity of the average individual.

I don't see any way to escape the conclusion that increased standards of living and the progress that follows depend upon an increase in the productiveness of the individual. As a matter of fact, I don't see any reason why we should want to escape it. In these terms, the problem becomes simple and clear. It is only when we permit ourselves to think that the problem is political and that injustice rather than productiveness is at the roots of our trouble that we are in danger of losing our way and failing to arrive at good solutions to the problem.

This brings me to my second point—

PROGRESS IS ESSENTIALLY A JOB FOR SCIENCE AND ENGINEERING.

Throughout our history the rising standards of living in America have come primarily from our development of machines and machine techniques which have greatly extended the producing capacity of the individual and in that way vastly increased the wealth of the average individual. It has been an increase in the energy made available through machines and through man's skill in using the machines. Just as a man can drive more nails better and faster with a hammer than with a stone, a Ford worker using a $20,000 machine can produce more

not only for millions of other people, but for himself.

It is worth remembering that output per man hour in this country has increased on the average about 2% a year. Mere continuation of this trend would mean a future full of better things for more people. But it is my own feeling that the tremendous gains which have been achieved by machine techniques may be substantially matched when we learn to make better use of ourselves as people.

There is significant evidence on this point. We have seen many instances of greatly increased productivity on the part of men under certain favorable conditions—increases which were achieved very often with less individual physical effort and greatly individual satisfaction than the same men experienced under different conditions. Men have not yet learned to work at anything like their easy capacity. Instead, they have often been persuaded that they ought to do far less than they are able to do—that they should mark themselves down—that they should be second-rate when they can be first-rate.

I am impressed also by the fact that no one—in industry, labor, or government—has spent a fraction of 1% of the time and effort on research into the problems of the human factor that has been spent on pure and applied research in the field of the physical sciences. We need to find out how to do the same continuous, difficult, experimental and research work in the field of human sciences which we have done in the field of the physical sciences. I think we can then expect to get comparable results.

My third suggestions is—

PROGRESS IS A JOB FOR BUSINESSMEN, BUT IT REQUIRES THE DEVELOPMENT OF A POLITICAL SENSE GREATER THAN WE BUSINESSMEN NOW HAVE.

It seems to me that we should all remember that the bill for progress will be paid by the productive forces of the nation and not by the political forces. For the businessman to ignore this fact seems to me to be very foolish. Our industrial machine will have to deliver the goods. Even in the field of agriculture it is mechanization that leads to high productiveness. If business is to be a leader and not a whipping boy, we have no choice but to take a vigorous part in the development of the blueprints on which our future social structure will be built.

As we look around us today, it seems perfectly clear that the rules by which we all live—certainly the rules by which business and industry live—are first laid down in the minds of the American people. Sooner or later it is the ideas in the heads of 140 million Americans—or at least a majority of them—that determine what legislators are going to write into the law books or what interpretations our courts will place on existing laws. The Constitution gives us a solid anchor of lasting principle but the operating rules of our times—for individuals and institutions, including modern corporations—are first written in the hearts and heads of the American people. Where legislation flies in the face of their ideas, it sooner or later gets modified or repealed. As ideas in people's minds take shape and develop, they get expressed sooner or later in legislation, executive orders, or some other form of regulation.

But we cannot afford to overlook the fact that a good part of today's insistent demand for progress comes from groups whose political strength is greater than their productive strength. More and more of the output of the average individual is being turned over to people who do not contribute to its production. One American economist estimates that such distributions are currently running at the rate of $11 billion a year and that within the next 10 years this figure will increase to more than $15 billion annually.

This brings us hard up against the fact that business and industry have a political problem and responsibility. The problem is to gain and maintain the confidence of the American people so as to survive as free institutions. The responsibility is to do an engineering job on social progress so that we will in fact achieve our objectives.

The fact is that we have been losing the confidence of the American people. That is another way of saying that business and industry today are not politically strong enough for the job they have to do. This is understandable. Our industrial organizations are continually confronted with the problem of trying to make a profit by meeting engineering and technological problems and solving them successfully under the pressures of a deadline. Government on the other hand, is a political organization and organized labor is becoming increasingly so. The leadership in government and labor is continually campaigning for votes inside or outside their own organizations. Their leaders are elected because they have political sense.

Corporations, on the other hand, do not have this political sense and, as a result, they have far less political influence than it is customary to think they have. In the modern world where all institutions are subject to the will of the people, business and industry continually meet government and labor in the public arena on very uneven terms.

In my opinion, this situation is dangerous. Not long ago one well-known government official remarked: "In my brief experience in Washington I soon discovered that the most certain way to defeat many measures was to secure the approval of such measures by one or more well-known industrial associations." This same official also remarked that business "should produce its own leaders and generate its own programs. It must be willing to appeal directly to the public for support of such programs which must have as their basic aim the greatest good for this country and its people. Our politicians will be only too willing to follow such leadership . . . the businessman, if he keeps the nation as a whole uppermost in his thinking, has the best chance of evolving sensible solutions."

My fourth principle, however, is that—

ONLY WITH THE UNDERSTANDING COOPERATION OF GOVERNMENT AND ORGANIZED LABOR CAN BUSINESS MAKE ITS MAXIMUM CONTRIBUTION TO PROGRESS.

The job ahead is certainly big enough to require the united energies of all of us—business, government, labor and all other groups.

The starting point, as always, is how the producing capacity of the average individual can be expanded. A government really sincere in its efforts to raise standards of living will always measure its policies and actions against this simple yardstick. That's the way to pay for what we all want.

When, for example, government spokesmen maintain running attacks on business and try to convince people that we are an enemy, we can hardly expect good, productive results. Good things do not grow in a climate of cold antagonism.

Government help can be given in many ways. It should be a constant aim of government to establish its agencies and write its regulations to encourage added productivity. It should be a constant aim of government to keep its own operations at maximum efficiency, if only for the reason that inefficiency puts dollars into taxes that ought to go into productive jobs.

Of course, most men in government are certainly as well-meaning and devoted to the best interests of this country as most men in business. But competition is the keen cutting edge of business, always shaving away at costs. whenever men in government, perhaps because of its non-competitive nature, contribute to a reduction in the productivity of our system, they are inevitably making it more difficult to get on with the job of real progress.

I think the leadership of organized labor has a similar responsibility to pull its oar in the boat. I am sure that most men in organized labor are as patriotic and well-meaning as any others—and many of them are farsighted and constructive—but we cannot achieve the goals we are after when even a few leaders of organized labor spend a large amount of their time trying to convince the men in plants and factories that the managers of business are their enemies and that the road to security is not increased productiveness, but decreased productiveness.

Business and industry are under continual attack on the ground that profits are too large. This is certainly a popular political argument but it also is an attack on productiveness. If we are to achieve a continuing rate of increase in the output of the average individual in this country, business and industry must continually reinvest a very large part of its earnings in new plant and machinery. I may say that the Ford Motor Company has been spending ever since the war substantially more to increase the producing capacity of the men in our plants than it has made in profits. We are investing more than we are earning. The difference is coming out of past profits. It is only by having an increasingly modern plant that we can hope to achieve security and progress for our own organization—and it is the way we feel we can best contribute to national growth and well-being.

I do not mean to imply that business and industry are without fault. We cannot say that labor and government are failing to measure up to their part of the job without granting that business and industry have themselves fallen short of today's standards of leadership—in fact they may have come dangerously close to forfeiting leadership and public confidence. Men in business have been immersed too much in making and selling and have too little recognized that popular leadership is just as important an element in a great industrial or business operation today as mechanical power.

It begins to look as though business leaders must recapture the imaginations of people—beginning with their own employees—before we can bring about cooperation with government and organized labor and set the pace for the social progress all Americans want.

This, it seems to me, is an especially good time for American industry, American labor, and American government to lock arms in a practical program of progress engineered so that it will be strong and solid and will deliver the goods. The world needs an example from America today. For our country to move in the direction of government-do-this, government-do-that, is merely to lend support to the claims of despotism everywhere, and to confirm the dictator's claim that the State is best able to serve the interests of the individual.

I would rather we took a different course. I feel certain that the best person to take care of the individual is the individual himself. Our social objective should not be to weaken the individual but to strengthen him. Progress in the last analysis must be paid for—not by some vague institutions, but by the combined work of all of us as individuals. The aims should always be to increase the capacity of the individual to serve himself.

I am not under the impression that all or any of this is easy. I am not under the impression that I or anyone else can achieve any miracles in a short time. I have merely sought to put down what seems to be a sound approach — a sounder approach, I think, than some we have been tempted to follow. If we can substantially unite behind such a program, we as a nation can easily achieve further miracles.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y., have just issued their annual "Insurance Stock Analyzer," covering the operations of the leading insurance companies for the year 1948.

Based upon the information compiled, it is one of the most competent and detailed analytical reports of its kind ever presented. Statistics on 71 fire and casualty companies are included in the study as well as certain figures for two stock life insurance companies. In addition, some interesting composite figures on the sources of premium income and the distribution of assets have been prepared and are shown in the report.

The statistics are presented in tabular form in order that comparisons among the companies can be easily made. Some of the more important figures shown include present capitalization, total consolidated resources and net premiums written for the past three years. A breakdown of the various sources of premium income between fire and casualty insurance lines is shown for each company. Earnings data in detailed form for 1948 have been tabulated and comparable figures for 1947 as well as the 5-year average, 1944-1949, are presented.

The current indicated annual dividend rate is shown and the percentage of investment income such payment amounts to. Also shown are the years of consecutive dividend payments. The stockholders' equity per share of stock has been estimated as of the end of 1948, 1943 and 1938. This is probably to show the growth in asset value per share of stock over the past ten years.

A percentage breakdown of assets between the various classes of bonds, preferred stocks, common stocks and miscellaneous assets has been computed. It is useful in comparing the different investment policies of the various companies.

Other figures shown include the investment management record, assets per share and the 1944-1948 price range of the different stocks adjusted where necessary. As can be seen, this fund of statistical information is of considerable help in comparing the past results and present position of the different companies.

Among some of the more interesting facts and figures brought out in the report of the 71 fire and casualty companies are the following:

The oldest company in the group is the Insurance Company of North America which began business in 1792. The last one to commence operations was the Reinsurance Corp. of New York in 1936.

The Home Insurance Company has the largest number of outstanding shares. They total 4,000,000. Two companies, Bankers & Shippers and Pacific Fire, have 40,000 common shares outstanding, which is the smallest number.

Insurance Company of North America has the largest total of (consolidated) capital funds amounting to $128,863,563. This is only slightly ahead of Hartford Fire which has $128,109,879. Hartford Fire also showed the largest volume of net premiums written amounting to $233,283,485, as well as the largest volume of total premiums earned amounting to $211,177,278. In point of total resources Hartford was the largest company with assets equal to $397,154,724. Merchants & Manufacturers, with total resources of $6,075,631 was the smallest company.

In regard to sources of premium income, some of the fire companies do not write casualty lines or have casualty subsidiaries and vice versa. However, four of the fire companies derived 68.5% of their premium income from straight fire insurance. These were American Equitable, Globe & Republic, Merchants & Manufacturers and New York Fire. None of these companies has casualty lines and this undoubtedly accounted for their high proportion of straight fire.

Among the casualty companies, the automobile liability line accounted for the largest percentage of total volume. Approximately 63.6% of the premium income of American Fidelity & Casualty came from this source. On a composite basis some of the most important volume lines on a percentage comparison were: fire, 25.86%; auto liability, 12.13%; motor vehicle (fire), 9.74%; workmen's compensation, 9.22%; accident and health, 6.74%; auto property damage, 5.61%, and inland marine, 4.95%.

With few exceptions underwriting operations of the various companies were profitable during 1948 and operating earnings after taxes were considerably improved over 1947. Northwestern National Insurance Co. reported the highest per share operating earnings equal to $22.89.

North River Insurance Co. has paid dividends for 110 years which is the longest for the group. A number of others are close to the 100 mark.

In regard to diversification of assets, Central Surety & Insurance has 80.1% of its total assets in bonds. The company with the largest investment in preferred stocks is American Alliance. Such securities represent 27.4% of total assets. The Reinsurance Corp. of N. Y. with 39.7% of its assets in common stocks has the largest position in the group.

On a composite basis the distribution of assets was as follows: cash items, 17.8%; bonds, 53.5%; preferred and guaranteed stocks, 7.8%; common stocks, 17.5%, and miscellaneous, 3.4%. On an individual basis, however, there is considerable variation among the companies.

Experiences of a Planned Society

(Continued from first page)

from time to time arouse the emotions of large masses of people, and which seem to defy all reason and all knowledge. The contemporary engulfment of the human mind in mass irrationality—the belief that in some way the State should and could order all the economic affairs of its citizens as a good housewife orders the affairs of a happy household—has been no respecter of persons or parties. It has affected young and old, the innocent and the sophisticated, the conservative and the progressive. I am, therefore, taking up no political standpoint tonight.

The issue I am raising is, or should be, of a more technical kind. It can be put in this way: what is the best type of economic organization for bringing about the greatest expansion of economic wealth consistent only with the maintenance of respect for the infinite and inexhaustible diversity of the personality of the individual?

Planning Honeymoon Ended in Europe

I think the present is an extremely appropriate time for such a discussion. The world-wide tide of collectivism may well be on the turn. Experience in Europe has shown that the claims of a quarter of a century of propaganda in favor of central planning have not been substantiated. In Europe, at least, the honeymoon is over. For whilst the planned economies lag behind, offering to those who live within them a bare and meager existence, the United States, the last great center of the free economy, has recently established unprecedented standards of living and has found it possible, from its great wealth and out of its unparalleled generosity, to pour out help to many struggling parts of the world. And in other regions, in Switzerland, in Belgium, more recently in Germany, the retention or the restoration of at least some part of the free economy has brought advantages which no fair-minded observer can deny.

European Illusions Fading

I do not think one should exaggerate this new trend or expect that the change in beliefs will result in very rapid action. Men give up long-cherished illusions slowly. And planned economies, like all other systems, create vested interests which are relinquished reluctantly. But I feel convinced that beliefs in Europe, at least among those who retain some regard for individual liberty, are changing. No one any longer attaches importance to the fumblings of planning statisticians, forced to demean an honorable profession by engaging in exercises of economic soothsaying. No one can be oblivious of the fact that plans change so swiftly and are so invariably wrong that those who seek to live in the light of them are really living independently of actual events. No one can deny that the planning of imports through bulk purchase schemes leaves the consumer exposed to an entirely new range of risks that his food will not be there when he wants it. No one can doubt that planning has introduced greater insecurity in economic affairs, sometimes approaching complete chaos. Men will not forever seek economic security and prosperity by those devices which so obviously make for poverty and vicissitude.

Perhaps U. S. Must Learn the Hard Way

In Europe, I sense a growing sophistication in economic matters, a hard-boiled surface on those who have been through the planning mill. But I say "in Europe" advisedly. For, oddly enough, it is in the United States that starry-eyed claims for the benisons and bounties of planning seem to command respect in some quarters; claims which would be laughed out of court elsewhere. I do not know why this should be the case. It may be that one country can never learn from the experience of another. It may be that each country must learn the hard way that the State does not and cannot possess any special knowledge, wisdom or regard for humanity which would make it the right instrument for the ordering of all economic affairs. It may be that the United States is at the beginning of that process of tireless propaganda by the intellectuals and faltering resistance by men of affairs which, in other countries, has so bedevilled public judgment. I sincerely hope this will not be the case.

But it is not, I think, superfluous to utter a warning, even in this home of free enterprise. The free institutions of Western civilization have produced in large numbers one type of intellectual whose subtlety of thought is matched by his lack of real judgment, whose powers of exposition are as great as his potentialities for social mischief, and who, by arrogantly pressing upon us as the whole truth what are but half-truths, has in other places brought the whole house tumbling about our ears. This group of intellectuals must be met, matched and mastered on their own level and in terms of their own manner of reasoning. For if there is anything certain in this very uncertain world, it is that ideas are more powerful than bombs, and that, unfortunately, those who are most fertile in their production are often least responsible in their use.

European Danger Signal

If there is in Europe a growing disenchantment with collectivist organization, if targets, plans, coordination, integration are becoming terms almost of ridicule, that may be encouraging. But it is also a warning and a danger signal. For those who have lost one set of illusions may easily become the victims of another set all the more dangerous. We can be sure that something will fill the intellectual and spiritual vacuum that is being created. It should be the aim of all men of good will, who know that there will be no peace for any of us unless the power of the State is restricted and confined, to do what they can to create a body of liberal economic doctrine and a code of liberal economic action.

* * *

I shall try to make my contribution to it, I fear but a tiny contribution, tonight by laying down a few simple and rather disjointed propositions which, as it seems to me, must apply to any economic system which is to combine respect for the individual with efficiency of operation.

First, it is foolish, and a fertile source of disenchantment to expect that there ever can be a perfect and ideal economic system combining absolute justice, complete efficiency, no waste and no need for readjustment. That is true of a free economy as of any other. Some unemployment there will be (although I believe that we now have financial technique which, sensibly and courageously used by statesmen, can prevent the evil of mass unemployment). Some waste there must be so long as consumers change their minds and technicians improve methods of production. Some inequality there ought to be if incentives are to be powerful enough to keep the system going. And, as it seems to me, some monopoly is inescapable in the nature of any economic system. I am sure the right defense of the free economy is not to deny these things, but to point out first that such weaknesses can be kept within tolerable limits, and, second, that most of these evils are much intensified in a collectivist society. The neurotic pursuit of unattainable tidiness in a real workaday world can well be left to the planners.

The Basic Fallacy

Second, it seems to me important constantly to stress the value of spontaneous as against conscious order in society. When one examines the different ways in which otherwise intelligent people have rationalized their belief in central planning, more often than not one finds this odd idea that unless an organization is the result of conscious control by one human mind, it cannot be a rational organization at all. In the United States there are 160 million consumers, some 200,000 factories, some 3 million shops, and a stupendous array of other industrial and commercial equipment. How can all this be brought together to work harmoniously unless someone plans it? So the argument runs.

Yet, in truth, some of the mightiest and most subtle organizations in the world are not conscious organizations at all, they are spontaneous organizations. Let me explain my point by an illustration. If a train is standing at the railway platform, one way of trying to make sure that the passengers spread themselves fairly evenly over the different coaches is to plan it: To have officials who interview each would-be passenger as he arrives, who ask about his prejudices as to where he likes to sit, and so on, who then work out theoretically the best possible arrangement for the passengers. The other way is to allow each passenger to make his own choice, to walk up and down the train and occupy the least-crowded coach.

Advantages of Spontaneous Organization

The first method is conscious organization; the second, spontaneous organization. And the second clearly has advantages over the first. It is more flexible, it is quicker, it is cheaper, it is more effective; it will probably give a better distribution. Each individual, by seeking his own interests, provides the best arrangement for the whole. So that when one is confronted by tens of millions of consumers, hundreds of thousands of industrial units, millions of shops, one way of trying to bring these together in some rational fashion is to have State intervention and control in every cranny and crevice of economic life. That is an attempt at conscious order; and it is bound to lead to chaos.

The other way is to rely upon the spontaneous order of the market and the price system. For spontaneous order has enormous advantages over conscious order. Conscious order must always be limited. As the size of the organization increases, the point is reached where one must expect inefficiency at the center and paralysis at the circumference, where the fundamental choice of the planner must be made between despotism and inertia.

But spontaneous order can be indefinitely extended without losing its effectiveness. Prices will control a local village market; they will equally well control a world-wide market. One can almost say, in this connection, what is so rarely true elsewhere: the bigger the better. That's one advantage. Another, as Hayek has so well put it, is that "the spontaneous collaboration of free men often creates things which are greater than their individual minds could ever have conceived or can ever fully comprehend."

Of course, in a properly administered society, we must have both; conscious order with its proper and practicable limits; spontaneous order outside this. But a planned society must destroy spontaneous order, both in the national and international sphere, and, having nothing to put in its place, fill the gap by regimentation of consumer and producer. Let us remember that, beyond a certain immediate limit, public administration is *not* a substitute for private enterprise.

* * *

My third point is (having said as much as this), that whilst the main reliance of a rational economic society must be upon the spontaneous movements of the market and of prices, the price system will not give us everything of which we have need. I have never heard of lighthouses being built in the right places for profit. No one has yet devised a satisfactory system of charging prices for the services of a broadcasting station. No one recommends tolls on roads or on bridges. I live in Oxford, where the serenity of one of the most noble cities in the world has been ravaged by traffic congestion. I know no way in which, as an individual, I can start to offer a price to have that serenity restored. All this means is that there are public demands, as well as private demands, and we must cater specially for them. The important thing to recognize is that these public demands are the marginal and the minority of the demands. Do not let us begin to tear off our clothes when all that is needed for comfort is the release of the bottom button of the waistcoat.

Competition a Prerequisite

My fourth point is that I do not believe that any economic system worth the name can really get on without a measure—I think perhaps I would say a pretty strong dose—of rivalry, of competition. I must confess I find it one of the most extraordinary of current ideas that an economic system necessarily condemns itself because it is competitive. People who recognize the benefits of competition and rivalry in other forms of social activity are prepared to condemn it outright in economic affairs. And statesmen whose party may have come to power by the offer to the electorate of a competing program, statesmen who have risen to power within their own party by a process of competition with their colleagues, will frequently be heard to declare that competition is wicked, degrading and unhumanitarian.

Yet, it should be axiomatic that most forms of economic competition are such that both sides gain from the competition. The simplest economic act of all, the process of voluntary exchange, cannot take place unless both sides gain. It should be obvious that many forms of competition are simply a measure of the range of choice permitted to the consumer; that choice and competition are simply different words for the same thing. It should be clear that social competition is often the way by which the conditions of the underdog, the under-privileged, are improved. For example, if we ask which group of workers have most improved their conditions throughout the world in the past 25 years, the answer is domestic servants. That has been done not by trade unions, not by law, not by wage boards, but by competition, competition between employers for the restricted supply.

And, of course, the competitive procedure is inextricably bound up with democratic government itself, for democratic government turns on free speech (the competition of ideas) and free elections (the competition of parties). Economic competition, therefore, is not jungle warfare. It is a fertile symbioses of rivalry and cooperation which cannot possibly be reproduced in the planned state.

* * *

I come finally to what, I think, is my most important point. Perhaps the outstanding peculiarity of modern man is his disposition, consciously and deliberately, to take risks about the future. If he ever lost that quality, human society would become static and lifeless. Now this disposition prevails even though he cannot predict, even though he has only the vaguest idea of the immediate consequences of his acts. This seems to me to raise a fundamental dilemma in any economic society. Even though we cannot predict, can we, as practical men, behave with wisdom about the future? Can we reduce risk by taking thought?

Prediction Means Capital Investment

As far as economic affairs are concerned, prediction means the investment of capital. The planned economy and the free economy give two quite different answers about investment policy. The planned economy puts investment into the hands of a central body of men; the danger of this is, of course, massive and appalling mistakes of which there is already some evidence in Europe. The free economy distributes those risks; it leaves them to be taken by thousands of dispersed businessmen each relying upon his own assessment of the future of consumers' demand and of technique. Now we cannot *prove* that one system or the other is the better. We can watch individual cases. It will be interesting to see over the next four or five years whether the European governments have been right in their enormous expansion of the iron and steel trades. It will be interesting to watch whether your own government or the iron and steel corporations themselves were more sound about the best size for the American steel industry.

The Monopoly Danger

My own instinct would be to believe that state monopoly of investment is a gamble; that the prudent course is the backing of many horses both ways, which we get in the free economy. But that would be true only if we can be sure that businessmen will continue to take risks. Can we be sure of that? Or is it true, as the critics so often assert, that monopoly is a chronic disease of capitalism and that monopoly is the dodging and not the taking of risks? There is certainly here a weak flank in the defense of the free economy which needs strengthening.

Perhaps you will forgive a word here about my personal experience. I earn my living by teaching the young, and the attitude of the young on these matters of economic organization is very encouraging. As I see them, they are wiser than many of their elders; they are certainly wiser than many of their teachers. They are skeptical, they are not prepared to swallow pre-digested pap about planning they are of the stuff which might well carry us out of the great age of economic mysticism.

But they often come to me with one great doubt: Can we really have a competitive system, or will businessmen create monopolies so extensively that the competitive system is a theoretician's dream? They point out that often in Great Britain these days, when the government tries to get rid of industrial controls and to restore competition, it is the businessmen who oppose the suggestion. They point out that in 1932 in the United States when, under the National Recovery Act, industries were asked what powers they wished for to get out of depression, many

of them asked for price control, output control, the control of entry and of investment—the whole armory of monopoly weapons.

My answer to them is always the same: Of course, in the past there have been monopolies, of course businessmen can make short-period gains for a limited group by forming monopolies. But this is by no means inevitable. And it can be made even unlikely if the business community can be brought to see that those who engage in monopoly activities are sapping and undermining the long-period virility of the market economy and thereby the case for private enterprise.

* * *

My time is up. But I would leave you with this final thought. All the Western World believes that there are right and proper duties for the state to perform; indisputable prerogatives that no individual can challenge: defense, the peaceful settlement of differences of opinion and interest within the community; the regulation of factions; the maintenance of honest currency; the curbing of monopoly; the support of the weak and helpless; the establishment of standards; the dissemination of knowledge.

Most of the Western World would probably agree that in all other cases where it can be shown that individuals, seeking their own legitimate interests, will be led to actions which frustrate their own purposes and those of others, the state has the right to step in. How much further should the State go? In my opinion, not one step further until we have guarantees that the state is able to perform satisfactorily those functions which, by common consent, belong to it.

And yet states have but a poor record to show so far. Only the state can maintain a healthy currency, only the state can destroy impediments to free commerce, only the state can clear the way for the fullest play for enterprise. Yet most of the troubles of the world in recent years are attributable to dishonest and inflated currencies, to restrictions on trade, to brakes on enterprise. I think that the citizens of the western world have the right to insist that the state should refrain from embarking upon new tasks and duties until we have some evidence that it is capable of performing well its old tasks and old duties.

William Dore With Otis & Co., Cleveland

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—William H. Dore has become associated with Otis & Co., Terminal Tower.

William H. Dore

Mr. Dore was formerly with Field, Richards & Co., and prior thereto was Clevland manager for Stranahan, Harris & Co.

Emig Corporation Formed

BEVERLY HILLS, CALIF.—The Emig Corporation has been formed with offices at 222 South Beverly Drive to engage in a securities business. Officers are Maurice La Voie, President; E. C. Yount, Jr., Vice-President; and Irene Smith, Secretary-Treasurer.

The State of Trade and Industry

(Continued from page 5)

a down trend in steel business and living costs remains to be seen. It would be no surprise "The Iron Age" concludes, if they backed up their demands with a strike if necessary.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 97.5% of capacity for the week beginning May 2, 1949, as against 97.5% in the preceding week, or a decline of 0.2%.

This week's operating rate is equivalent to 1,793,700 tons of steel ingots and castings for the entire industry, compared to 1,797,400 tons a week ago, 1,821,400 tons, or 98.8% a month ago, and 1,640,300 tons, or 91% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS RISE FRACTIONALLY IN LATEST WEEK BUT ARE 9.7% BELOW LIKE WEEK OF 1948

Loadings of revenue freight for the week ended April 23, 1949, totaled 769,336 cars, according to the Association of American Railroads. This was an increase of 3,446 cars, or 0.4% above the preceding week. It represented a decrease, however, of 82,590 cars, or 9.7% below the corresponding week in 1948 and a decrease of 124,376 cars or 13.9% below the similar period in 1947.

ELECTRIC OUTPUT LOWER FOR 13TH STRAIGHT WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended April 30, was estimated at 5,303,841,000 kwh., according to the Edison Electric Institute. This represented a decrease of 21,672,000 kwh. below output in the preceding week, 261,489,000 kwh. or 5.2% higher than the figure reported for the week ended May 1, 1948 and 663,470,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO OUTPUT CURTAILED BY LABOR STRIFE THE PAST WEEK

Production of cars and trucks in the United States and Canada for the past week declined to an estimated 133,714 units, compared to 141,227 (revised) units in the week preceding, due to labor troubles, "Ward's Automotive Reports" states.

The drop from the previous week was largely because Nash, Kaiser-Frazer and Packard were closed down and other producers cut schedules on account of the UAW-CIO strike at Bendix. Labor troubles at Chrysler and Hudson also contributed to the drop, the agency stated.

Output in the similar period a year ago was 102,967 units and for the like week of 1941, 133,560 units.

Last week's output consisted of 103,412 cars and 23,522 trucks built in the United States and 4,254 cars and 2,526 trucks in Canada.

BUSINESS FAILURES MOVE HIGHER IN LATEST WEEK

Commercial and industrial failures rose to 204 from 198 in the week ended April 28, Dun & Bradstreet, Inc., reports. Casualties were more numerous than in the comparable weeks of 1948 and 1947 when 204 and 106 occurred respectively, but were less than the 326 recorded in the corresponding week of 1939.

Retail failures remained at 83, unchanged from the previous week, and compared with 43 a year ago. Manufacturing casualties dipped to 59 from 64 but remained well above the 29 of a year ago. Wholesaling fell to 17 from 23 and construction and commercial service failures rose to 23 and 22 respectively.

Failures in the Middle Atlantic States and Pacific States were higher this week, while declines prevailed in most other states.

FOOD PRICE INDEX SHOWS FURTHER MILD RECESSION

There was a further slight easing in the Dun & Bradstreet wholesale food price index last week. Individual price changes continued irregular and the index fell to $5.67 on April 26, from $5.68 a week previous. This was only one cent above the Feb. 8 low of $5.66; it compared with $6.76 on the corresponding date a year ago, or a drop of 16.1%.

The index represents the sum total of the price per pound of 31 foods in general use.

COMMODITY PRICE INDEX SUFFERED FURTHER DOWNWARD PRESSURE THE PAST WEEK

Further weakness in commodities, particularly metals and livestock, exerted a continuing downward pressure on the general price level during the past week. The Dun & Bradstreet daily wholesale commodity price index declined to a new low for the year and the lowest level since mid-February 1947. The index closed at 248.70 on April 26, compared with 249.40 a week earlier and with 281.01 on the like date a year ago.

Leading grain markets were irregular last week with wheat, corn and rye prices fluctuating within fairly narrow limits and showing little net change for the period.

Oats were under some pressure due to liberal receipts and lagging demand for the cash article. New wheat crop prospects continued generally favorable while preparations for planting the new crop were reported making rapid progress in most areas. Trading in bakery flours remained slow as buyers showed no disposition to make commitments in the expectation of lower prices. There was moderate activity in cocoa with the market displaying a firmer undertone most of the week, aided by the absence of pressure from primary markets.

Lard prices developed a firmer trend as demand broadened. Some decrease in stocks of lard was reported as the result of liberal export shipments.

Hog receipts in the Chicago market were heavy and prices continued downward, touching new low levels since OPA.

Cattle prices were also weak due to increased supplies. After an early drop, lamb prices recovered and finished unchanged for the week.

In moderately active trading, spot cotton markets showed continued firmness last week with values reaching the highest levels of the season. The strength in prices was largely influenced by short covering in the May delivery and by mill price-fixing against export sales. Sentiment was also aided by new demands for cotton by Japan and the expected announcement of the Japan quota next week.

Depressing factors included the prospects of another large crop this year and the likelihood of a lower government loan rate for the new crop.

Reported sales in the 10 spot markets totaled 92,300 bales last week, against 115,500 the previous week and 105,500 in the same 1948 week.

Domestic mill consumption during March, according to the Bureau of the Census, totaled 721,000 bales, compared with 640,000 in February and 880,000 in March last year. Average daily consumption of cotton during March, however, was equal to only 31,300 bales, a reduction of 4% from the February daily rate of 32,500 bales, and a drop of 18% under the March 1948 average of 38,300 bales.

Continuing the trend of recent months, repossessions of loan cotton in the latest week again exceeded loan entries by a substantial margin. For the season through April 14, aggregate loan entries amounted to 5,073,848 bales. Repossessions during the same period totaled 703,652 bales, leaving a net stock in the hands of the CCC of 4,370,196 bales.

RETAIL AND WHOLESALE TRADE REFLECTS POST-EASTER DECLINE

Following the Easter shopping rush, there was a moderate drop in consumer purchasing in the period ended on Wednesday of last week. Total retail dollar volume was very slightly below the level of the similar week a year ago, states Dun & Bradstreet, Inc., in its current summary of trade. Clearance sales of seasonal goods continued to attract shoppers in many sections.

Special promotions of Spring merchandise helped to maintain retail apparel volume at a level moderately below that of the previous week. It was slightly below that of the comparable week a year ago.

The demand for dresses, suits and short-length coats was sizable. Consumer interest in shoes was close to the high level of the previous week. There was a moderate drop in the purchasing of men's apparel with interest centering on medium-priced suits and furnishings.

Retail food volume did not vary appreciably from the high level of the preceding week. It was fractionally below that of the corresponding week a year ago. The demand for meat was large with housewives' interest centering on the lower-priced cuts. The supplies of fresh produce were plentiful in many areas. The retail volume of canned and frozen foods was close to that of a year ago. There was a noticeable dip in the demand for candy.

Purchasing of furniture and houseware rose, but it was moderately below that of the corresponding week in 1948. There was increased interest in bedding, living room pieces, floor coverings and outdoor furniture. The retail volume of household soft goods, curtains, wallpaper, hardware, paint, garden supplies and sporting goods rose slightly. Purchases of refrigerators increased in many areas.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 3% below to 1% above that of a year ago.

Regional estimates varied from the corresponding levels of a year ago by the following percentages: New England and South down 1 to up 3, East up 1 to down 3, Midwest unchanged to up 4, Southwest and Northwest unchanged to down 4 and Pacific Coast down 2 to down 6.

The increased interest of many buyers in seasonal merchandise in the week was instrumental in raising the dollar volume of wholesale orders slightly above that of the preceding week though it reflected a very moderate decrease under that of the corresponding week last year. The number of buyers attending many wholesale markets increased substantially last week and was considerably above that of the similar week in 1948.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended April 23, 1949, decreased by 10% from the like period of last year and compared with an increase of 7% in the preceding week. For the four weeks ended April 23, 1949, sales increased by 3% and for the year to date declined 3%.

Here in New York some improvement was noted the past week in retail trade, but notwithstanding this, sales volume continues under the level of the corresponding period in 1948.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to April 23, 1949, declined by 10% from the same period last year. In the preceding week an increase of 4% (revised) was registered above the similar week of 1948. For the four weeks ended April 23, 1949, an increase of 2% was reported above that of last year and for the year to date volume decreased by 5%.

Ralph Dofflemyre With Marache, Sims & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Ralph L. Dofflemyre has become associated with Marache, Sims & Co., 458 South Spring Street, Los Angeles, members of the Los Angeles Stock Exchange. Mr. Dofflemyre was formerly co-manager of the Beverly Hills office of Buckley Brothers. Prior thereto he was with John B. Dunbar & Co.

With Buckley Brothers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Y. Clifford Tanaka has joined the staff of Buckley Brothers, 530 West Sixth Street. He was previously with Fairman & Co. and Edgerton, Wykoff & Co.

Harker & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert E. Nelson has been added to the staff of Harker & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

With C. A. Botzum Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Albert L. Maguire has become connected with C. A. Botzum Co., 210 West Seventh Street. He was formerly with L. J. Vetter & Co.

With J. Earl May & Co.

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, CALIF.—Frank T. Bridges is now with J. Earl May & Co., 601 Bryant Street. He was formerly with Schwabacher & Co., in San Francisco.

As We See It

(Continued from first page)

instead of piling each new request upon previous ones until we have a perfectly fantastic load of taxation on the American taxpayer. The cost of Federal and local government amounts to about 25% of our national income. Our taxes have now reached the load limit.

"The warm-hearted generous souls who are marching under the banner of the Welfare State, do not see that it is simply the forerunner of the super-state. The super-state does not long stay socialist or communist. It always turns into despotism. Neither labor nor farmers are as free today in England as they are in America or as they were in England before the present labor socialist government."

Since there are "money bills" and various other matters upon which Congress must act if we are to continue to function as a nation, one must not take Mr. Landon too literally about Congress adjourning. What he doubtless had in mind—and in this we certainly agree with him—is that if the business community and the public in general could only feel confident that Congress would do nothing between this day and the day of its adjournment which would tend, inevitably, to injure the business outlook, the result could hardly be other than heartening. The current question about this session of Congress has from the first had to do with what adverse steps might be taken and how much they would hurt business, not what constructive action could be expected of it.

On Solid Ground

That the former Governor is well aware that much more than such negative action as adjourning is required to enable us to get back on a really solid economic footing, is clear enough from his other comments upon the same occasion. He is, of course, on the strongest of grounds when he insists that the advocates of the so-called "Welfare State," far from helping to abolish depressions and stabilize business, are in fact bleeding the economy of the country to death by taxes almost unlimited, the proceeds of which are for the most part not employed in a productive way. We may spend and spend and spend; and tax and tax and tax; and elect and elect and elect—but we shall never, never get rich at it, nor will the "underprivileged" ever be really and permanently benefited.

But, of course, even all this is not the full story. The innumerable regulations, controls and other interferences by Government with business, which together with the Welfare State conglomeration of measures constitute the head and front of the New Deal, are another dead hand upon initiative. Then, of course, there are all those attitudes and various other devices employed to get votes—and incidentally to encourage dissatisfaction by all those who have not been successful, and thus to render it doubly difficult for business to supply the goods and services upon which civilized man has come to feel dependent.

The Real Solution

What Mr. Landon could have said had he been so inclined, and said with full truth, is that nothing imaginable could give business such a lift as good reason to believe that the New Deal is definitely on the way out. Once let such a situation become clear, and the real problem would in reality be what Candidate Truman kept insisting it was last summer and autumn when he was busily engaged in getting himself reelected, namely that of preventing things from getting out of hand as they did in the 1920's. He might further have added that little or nothing that Congress or the President can do which does not point in this direction will prove in the long run to be particularly effective in relieving situations which have now come into being as a result of the New Deal policies.

The clear truth of all this should be obvious to all. It may therefore be properly asked why it is that nothing is done about it; that in point of fact the trend seems to persist in the other direction; and that a worsening in the situation sometimes appears to place the welfare economy advocates more firmly in the saddle than before. The answer is in some part, of course, to be found in the fact that there are more unsuccessful than successful men and women in the country. To most of those who are the supposed recipients of the welfare policies, the assurance that they will be much better off when the successful are made to contribute to their welfare appears exceedingly plausible. Such a claim and its refutation are both as old as Methuselah, of course, but misunderstanding, like hope, springs eternal in the human breast.

But that is not the full explanation, by any means. Something in the nature of what William Graham Sumner described as the development of "folkways" and "mores" has been at work in recent years until even those who should know much better are more than half convinced of the nonsense of which they are in another sense the victim. What we need, possibly above all else, is a rigorous awakening of independent thinking in this country by the business man.

The Saint Lawrence "Duplicity" Project

(Continued from page 17)

the country was doubling its generating capacity as a whole. Capacity provided by private enterprise grew 70%; and that provided by public agencies, Federal and local, grew 500%. A report of the Hoover Commission tells us that Federal agencies now have more than 14,000 miles of transmission lines and have tentative plans for the construction of new generating capacity equalling that of all the generating plants of private enterprise in the whole United States at present. Meantime, private enterprise has actively under construction an increase of 39% in its own generating capacity to meet the growing needs of its customers.

The canny commissars knew what was slipped over when Muscle Shoals became TVA, and today they delight in seeing the river which flows through seven states drain forty-eight. Sometimes their strategy appears mysterious. This French proverb may then help—forever changing and forever the same. However, their legislative allies speak bluntly. I have in mind a speech made by Senator Aiken before a luncheon club in Keene, N. H., three years ago, in which the Vermont solon said that, "The St. Lawrence Project will mean a TVA for the Northeastern states." Maryland and the District are embraced in that proposed Federal power transmission grid.

Should these collectivists succeed in their efforts to hamstring the power industry and to take over great rail systems, having enfeebled them by part-time subsidized competition, does anyone doubt they would move on to new conquests? Savings banks and insurance companies are likely targets. The greed of the collectivists has by no means been abated by their partial ventures into those fields. The mutual life insurance companies and savings banks are tremendous holders of securities in the power and railroad industries.

This question may be asked: Inasmuch as the Federal Government engages in the power business, why should it not engage, on a large scale, in the businesses utilizing this power? Look to the Tennessee Valley, where the duplicity process has plunged the government into the manufacture of fertilizer and other commodities.

The more rabid of the public power advocates seek to strip the Aluminum Company of America of its water-power rights on the St. Lawrence. Under the excuse of wartime necessity, that great pioneer in the metallurgical field was forced to disclose its technical knowledge to two favored competitors, which were set up in business with the taxpayers' money. It would be a logical extension of this divide-and-destroy process for the American Muscovites to ask why their vaunted cheap energy should be sold for the private benefit of the capitalistic buccaneers who own this split industry, particularly if they can invoke some "conjure" words like national defense.

Multi-Reason Processes

Speaking of national defense, our multi-purpose projects speedily become multi-reason processes. First one and then another reason is adduced for pushing each of the alleged purposes. The latest trick has to do with iron ores from Labrador, South America and Liberia.

It seems we are flat on our backs for domestic ore supply; or if not, we shortly shall be; or if not that's their story and they stick to it, anyhow. And so, instead of developing processes for the beneficiation of our own low-grade ores, including taconite, and keeping alive the miners who work the Mesabi range, we propose to fix it so that a few private exploiters can bring ores up the St. Lawrence during the summer thaw to prevent too active development at Sparrows Point. The difficulty seems to be that all-year-round delivery by the magnificent ships that discharge their ore in this vicinity just doesn't give an excuse for building a power dam on the St. Lawrence.

A recent famous analysis of the state of the nation hinted pretty broadly at government in the steel business. Even without that advance notice, it can reasonably be assumed that, should the government sink a billion dollars in the St. Lawrence canal and harbor entrances, national defense would be advanced as an excuse for collectivizing that industry also. Why should a billion dollars be spent to benefit the Great Lakes steel barons? Can't you hear them—haven't you heard them—those socialists with their jaundiced opinion of the profit and loss system? To anticipate possible charge that undue importance is attached to political ranting, these words, spoken last week by President Tower of the American Iron and Steel Institute, are cited. With reference to the campaign against steel, Mr. Tower said: "Behind the barrage of speeches and legislative proposals, one may see the shadow of great American industries no longer private enterprises but properties of the State."

And then there is the necessity of developing power for national defense; another of the specious multi-reasons for the duplicity project. It is sheer fantasy to assume that the proposed power development could affect America's ability to defend herself against a military enemy. That power development would, however, smack of the economic, social and political philosophy of her one conceivable aggressor. The St. Lawrence job would generate for this nation only 570,000 kilowatts of firm power. This corresponds to the minimum flow of the river, when Lake Ontario is low and ice restricts the river channel. I don't need to tell you that every one of its 240,000 kilowatts of infirm capacity, would preempt one kilowatt of first class dependable steam capacity to firm it up. So that on balance the infirm capacity adds nothing to the power supply.

Special pleaders will tell you that 570,000 kilowatts is a lot of power. So it is. It is almost, but not quite, of the dimension of any one of four existing steam plants in the State of New York. It would be almost big enough to take care of the increase in requirements of the State of New York for two years. It amounts to 10% of that one state's present plant capacity. But were it many times as big it would not add one flea power for defense or for anything else to the plant capacity of that region. You, as practical utility men, know full well that plants are not built to stand idle; that if a block of 570,000 kilowatts, either your own or that of someone else, came into your area, you would back away to the extent of 570,000 kilowatts from other new construction. It's somewhat worse than that if your competitor is the public treasury with spurious allocations, immunity from taxes and interest rates, predicated on pledging the power of taxation of the people and industry of the nation. Private investors would have the everlasting daylights scared out of them and be loath to venture equity capital or debt investment. Look at what has happened in the Northwest.

The Power Aspect

The power aspect has its plurality of purpose. Not only would the 570,000 kilowatts, available even during the winter freeze, make the nation militarily safe, not only would it relieve a power shortage that never existed in fact, not only would it electrify the farms of one of the most highly electrified farm states in the union, but it would make energy so cheap that the cotton duck industry would move from Baltimore to Watertown, New York, or possibly Ogdensburg, along with the Bromo Seltzer business—and how New York would need the latter!

The pundits of collectivism promise that the St. Lawrence power would mean a saving of $20,000,000 a year against steam power production. That estimate is unsound and the scheme does involve your tax bill and mine; but aside from all that, let's see what old-fashioned arithmetic tells us. By the time the project could be in operation, the State of New York will be using 50,000,000,000 kilowatt hours per annum. $20,000,000 divided by 50,000,000,000 is something like 4/100ths of a cent per kilowatt hour. 1/25th of a cent isn't so significant as $20,000,000.

With reference to an alleged power shortage, consider your own area. The State of Maryland and the District of Columbia in 1938 produced and sold 2,253,000,000 kilowatt hours. In 1948 this was more than doubled, reaching the figure of 5,486,000,000, 5½ billion for short. You know that during that period the Federal Power Commission found your assured capacity consistently on a level with the load requirements in spite of the stupendous burdens you assumed. You didn't have to curtail use as was done in the Tennessee Valley, in the Northwest and in the Province of Ontario; those notable centers of government activity. The story is substantially the same in New England and the State of New York. With the exception of two short periods of comparative tightness, it has been true wherever free enterprise has been given a chance. Between the end of the war and the end of 1948, 160,000 kilowatts of new generating capacity were completed in this area. And your current construction activities will bring into commission an additional 140,000 kilowatts in 1949 and still another 140,000 kilowatts in 1950, according to schedules published by the Federal Power Commission for

the so-called "Power Supply Area number 6." That all adds up to a 34% addition to the capacity that was in this area on V-J Day. At this rate your postwar additions will soon be larger than the St. Lawrence power project.

Our telephone friends here are acquainted with the Congressional measures to authorize REA to make loans to telephone companies, and thus encourage the building of cooperative lines. In other words, the planned-economy front is working for the socialization of the telephone industry by initial promotion of cooperative telephone systems, financed 100% by Washington. Reference has been made to the St. Lawrence subsidy threat faced by great rail systems. The public-ownership movement, patterned somewhat after the British plan, places in jeopardy every system of transportation.

Urgency for Bold Action

In fine, every branch of the utility industry is confronted with the urgency for bold action. A rear-guard action, however adroitly maneuvered, is apparently no longer the answer. The public-ownership movement must be countered now—head on. During the past 16 years more and more people have been tempted to abandon hope and impassively await the impending deluge toward which their world seems to be headed. Such a mood is temporary. They will soon lay their hands on the steering wheel. There are signs, such as the recent organization of the Independent Electric Utility Operating Company Committee, that that time has arrived in the electric utility field. It is important that all utility people, throughout the industry, make certain that newspapermen in their respective areas, along with business and labor leaders, are aware of the activities of those who, behind the scenes, connive for public power. Many outstanding labor men are your allies. They not only know the multiple purposes to be served by public power works but also are cognizant of the multiple tax scheme that makes those works possible; a scheme which has become the staff of life for the march toward socialism. It enables the collection of enormous funds with which to build collectivist projects that, like the St. Lawrence, couldn't pay their own way.

On the note of national defense I close. If either one of the World Wars taught us anything it is that the extraordinary strength of our people, both as combatants and suppliers of munitions, lies in initiative and resourcefulness, backed up by faith in the institutions of liberty. In the next war, if and when it comes, we shall be without prime essentials of defense if we have lost the initiative and resourcefulness and the devotion that comes from living within the framework of freedom. That means we should maintain an economy which is not tax-ridden and discouraged; and above all else, retain a population that has not been taught to look to government for its ideas, its faith, or even for the material things of life. This is a defense to be prized above all else.

With F. S. Moseley Co.

(Special to The Financial Chronicle)

BOSTON, MASS. — Henry H. Perry, Jr., has joined the staff of F. S. Moseley & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Franklin W. Palmer Dies

Franklin Wheeler Palmer, partner in Bennett, & Palmer, New York City, died at the age of 62 at Pratt Diagnostic Hospital, where he had gone for treatment of a blood ailment.

Outlook for Business, Banking and Money Rates

(Continued from first page)

artificial. You have the dubious distinction of being in the only field I know in which the important rules are made as you go along and, what is worse, you have very little to do with making those rules. As a matter of fact, many of the rules are made in the face of your bitter protest!

This morning, I want to analyze and evaluate some of these basic forces which make present-day banking, in many respects, the most complicated business on earth! To adequately cope with today's problems, the banker in addition to the abilities required in the past, must now have a large measure of the qualifications of the international affairs expert, of the business forecaster, of the political analyst, of the money manager, of the fiscal expert, of the money market authority, and of the welfare state interpreter. That is why the modern banker must constantly study to keep *au courant* with what is going on. That is why meetings, such as this, are so important to bankers and, also, to the public. For example, many people now have the "jitters" because of the spreading business readjustment. Some even fear we are going to have a repetition of the disastrous break in prices, employment and business activity which we suffered in 1920 and 1921.

The International Situation

The greatest problem in the world today is the peace which is not peace; and the "cold war" which is not war. The shadow of the split between East and West falls across every home in the land. The international tension affects every move we make as a nation and most of the things we do as individuals. More specifically, our current financial burden for military purposes is greater than the actual wartime costs of World War I. Many people forget that we have not one, but three armies of occupation in foreign countries—Germany, Japan and Korea. In addition, we have taken on the burden of rearming that part of Europe which is on our side. Military costs, at home and abroad, of nearly $20 billion preclude tax reduction. High taxes and military purchases prevent prices, particularly of manufactured goods, from returning to lower levels.

The uncertain international situation forces us to spend some $5 billion a year for European recovery. All international trade is either directly or indirectly under government control. Restoration of normal financial and trade channels seems an almost hopeless task. There are even many in Washington who say that we shall have a perpetual dollar shortage in international trade. Their general prescription for this problem, as you might surmise, is for more government loans and grants!

It is indeed high time for businessmen, particularly bankers, to give serious thought to what comes after ECA. For your own sake, as well as for the restoration of a more normal world trade, you should supply some of the leadership needed for the solution of this problem rather than wait for bureaucratic improvisation. With South Africa taking liberties with the International Monetary Fund, and with England, in all probability, on the verge of a further devalution of the pound, which may be followed by further currency devaluation by several other countries, the urgent need for constructive action is evident. The International Monetary Fund and the International Bank for Reconstruction must be given more than lip service if they are to function properly. They must receive the active aid of the governments concerned, as well as the support and guidance of financial and trade circles, if their full possibilities are to be realized. Otherwise, they merely become two more monuments on the long dreary road of man's inability to cooperate in the international sphere.

Remember, in the great tug-of-war between East and West, the future of the world is taking form. So, watch developments closely to see whether we shall return to prewar trade practices, even on a modified basis, or whether we shall turn further toward the Russian patterns of state trading! Not only is the future of world trade at stake, but the volume of domestic trade and our standard of living, in fact our very way of life, are dependent on the outcome!

The Business Readjustment

Of more immediate and direct interest to most bankers is the widening business readjustment which now includes practically all lines except steel production and automobile production, and even here a decline is in the making. The most outstanding thing about the present readjustment is the statistical fact it is not nearly as serious as people seem to think it is. Previous business readjustments have generally been more serious than the average person thought they were; but not this one. Happily, our current readjustment is by no means as bad as it is being painted. Nonetheless, from the wailing in business circles and the caution in banking circles, you would think that the end of business, as we know it, is imminent! Yet, the fact is that business volume on an overall basis is still nearly 10% ahead of 1946, about the same as 1947, and less than 5% behind the 1948 average. As one of my colleagues put it, "This will go down in history as the great 5% depression!"

Why is this readjustment being magnified out of all proportion to its importance? The answer is quite simple. Too many businessmen have forgotten the grim realities of competition. Then there are others who have not been in business long enough to have had experience with a real buyers' market and, consequently, are afraid of what it may do to them. For ten years, business has been a one-way road leading upward in volume and price almost continuously. During this period, businessmen couldn't fail, no matter how hard they tried—and some tried very hard!

The expansion of our economy by more than 100% since the war broke out in Europe has given business the greatest "free ride" in our history. Those who have ridden high on the crest of this wave of expansion find the idea of having to fight for business very distasteful. When prices not only don't go up, but actually start to go down, these "fair weather" businessmen become afraid and think the economy is "out of joint," that conditions are abnormal. Yet, what is happening today is normal and exactly what most unbiased observers expected.

Economic Consequences of Lower Prices

From an economic standpoint, what is happening is not only normal, it is beneficial. Ever lower prices is the very essence of competitive capitalism. Lower prices broaden markets, increase consumption and raise the standard of living for all. Lower prices force management and labor to increase effort and to increase efficiency. To use a wartime term, lower prices literally force a business to "dig or die"!

Of course, price reductions will cause failures and bankers will have to redouble their vigilance in this respect. But the greatest danger from the standpoint of the whole economy is that short-sighted producers may attempt to prevent price readjustment in their line by closing down or otherwise drastically reducing production to the point where it will all be taken at current prices. Instead of eliminating wastes and increasing efficiency in administration, production and distribution there is the danger that they may take what they consider to be the easy way out and close down until, as they euphemistically put it, "Consumption catches up with production"!

I don't know an easier way for a business to commit suicide in the long-run; or for the economy to commit suicide in the short-run! With each new closing, disposable income would decrease, public psychology would worsen, and unemployment would increase. But what is far more serious, any sizable unemployment will cause the government to move in with a program of relief for the unemployed and, mark this well, with *a program to remove the causes of the unemployment*. Of one thing you may be certain in these times of world-wide social ferment: If private industry does not give men employment, the government will!

Price Declines Are Not Out of Hand

As a matter of fact, the price drops have been terribly exaggerated. The declines, so far, have been largely concentrated in farm products and raw materials, both of which were out of line with other prices. Manufactured products have declined only about 5% from their all-time peak of last August. They are still above the average for the entire year of 1948. If this is price demoralization, I do not read my history correctly!

Even agricultural prices, which were far above the World War I level, have dropped but little compared to the 1920 decline which was a real nosedive. A quick look at the price behavior after World War I will be helpful in getting perspective. At that time, starting in May, 1920, agricultural prices dropped from an index of 235 (1909-1914=100) to 112 in June, 1921, a drop of 52.3% in 13 months. Prices even dropped so far that they were within 9.8% of the prewar level for a while. In sharp contrast with that spectacular drop, current agricultural prices are only about 15% below their all-time peak of January, 1948, and about 10% below the 1948 average. Moreover, they are still nearly three times the 1939 level!

The Level of Employment

As for factory employment, it is still more than 50% above 1939, and the payrolls are more than three times as great. Even more specifically, employment in the durable goods industries is some 80% greater than in 1939 and payrolls are more than four times as great.

There is, however, one aspect of present-day industrial employment which gives me a great deal of concern. I refer to the iron-bound seniority provisions on lay-offs in all union contracts. This means that the younger, more vigorous men will be laid off first. As they have growing families and small savings, this may cause political trouble. They will undoubtedly seek higher unemployment benefits and greatly expanded Federal work programs. As a matter of practical politics, the Government will be forced to get jobs for them (or support them) in one way or another. It therefore, becomes vital to our way of life for industry to keep unemployment at such low levels that there will be no excuse for the Government to intervene.

Huge Disposable Income and Liquid Wealth

As always, the consumer holds the key to our economic future. His disposable income is running at the utterly fantastic rate of some $220 billion annually. He has, in addition, liquid wealth in the form of bank deposits, Government securities, etc., of another $250 billion. *But*, his most urgent needs have been met and he no longer has to buy regardless of price. Price has become the determining factor in his economic behavior. The sooner business men reconcile themselves to this change, the better it will be for all of us.

The American consumer is not an automaton. Even as you and I, he knows that industry has to produce to live, and that it must sell what it produces. His belief in the almost unlimited productivity of American industry is as deep-rooted as his patriotism. On every hand he sees proof of this great productivity. In his magazines and newspapers, he reads of other proofs which he does not see directly. News items, such as the announcement last fall that a single, new plant at Shasta, California, will turn out as much pine plywood as the entire output of existing mills, continually document his belief in the miracle of American production. Keenly cognizant of the excess production capacity of American industry, the consumer knows that when prices do not suit him, he can bring great pressure to bear merely by waiting. So, always keep in mind that the consumer is not blind; he can see when prices are out of line. And, what is more important, in a buyer's market he can do something about such prices.

Readjustment Is Not Depression

The fact that we are going to have a price realignment, however, does not mean that we are going to have an old-fashioned depression. I will even go further in reassuring you by "sticking my neck out" and saying that I am convinced we shall never have to suffer through another business reaction as severe as the depression of the early '30's. To tell you this would be small service if it were only wishful thinking on my part; but that is not the case. My conclusions are based on long observation and careful analysis of many fundamental changes in our political thinking and in the economic structure.

Without in any way implying that we have reached the millenium, the fact remains that we have progressed to the point in our economic maturity at which we can do a great deal to reduce the amplitude of the swings of the business cycle. We cannot eliminate the business cycle, nor can we yet control it. But we are no longer blind, helpless victims of its economic fury.

In recent years we have learned a great deal about the cycle and its causes and consequences. Economics has largely changed from the method of philosophical contemplation to the more trustworthy technique of statistical analysis and evaluation. This has been made possible by the availability of more and better information about business and financial activities. Management can now make definite plans, on the basis of fairly accurate knowledge as to where we are and the direction in which we are going. This is in sharp contrast to the past, where they had to rely on "guestimates" and grope in the dark to a great extent.

Elements of Economic Strength

Our knowledge of the mysteries of credit has been greatly increased. While there is still a great deal we do not know about

(Continued on page 34)

More Dealer Comments on Effect of "5% Mark-Up" Spread on Securities Of Smaller Corporations

(Continued from page 8)

MINNEAPOLIS, MINN.

None.*

ST. LOUIS, MO.

We believe the NASD's "5% mark-up" rule has a detrimental effect on the securities of the smaller corporations, because the average security salesman will not spend the time and energy that is necessary to explain the benefits to be derived through the ownership of such securities when he can sell the larger and better known issues on the same commission basis.*

ST. LOUIS, MO.

None.

ST. LOUIS, MO.

Can't estimate.

ST. LOUIS, MO.

Retards sales and activity in stock.

KANSAS CITY, MO.

Discourages anyone from working on them and having retail salesmen from creating a market for such securities. Shuts the door on many small organizations who cannot afford to make extensive research and examination of company and its securities.

KANSAS CITY, MO.

Bad.*

ST. LOUIS, MO.

Not helpful.*

ST. LOUIS, MO.

Practically ruined this old American custom. What chance does the small corporation have to raise capital—even though many are willing to pay a "fair" compensation.—(Signed) Still suspicious of the "Big Wolf."*

KANSAS CITY, MO.

Restricts market.

CONCORD, N. H.

None.*

SYRACUSE, N. Y.

None of too great consequence.

ROCHESTER, N. Y.

Makes it practically impossible for them to raise capital.

ROCHESTER, N. Y.

Five percent is sufficient on some trades, but rule should be made to increase percentage on sales where costs are increased.*

BUFFALO, N. Y.

I think it handicaps the raising of venture capital so badly needed for small business.*

BUFFALO, N. Y.

Disastrous.*

RALEIGH, N. C.

Restricts the market.

RALEIGH, N. C.

It tends to great inactivity and lack of marketability.

GREENSBORO, N. C.

Limits the marketing of such, in some cases, to the vanishing point.*

SMALL NORTH CAROLINA TOWN

Kills it.

YOUNGSTOWN, OHIO

None, i.e.: It would benefit neither seller or buyer, but a fine thing for a broker, lacking a sense of honesty, and taking whatever the traffic will bear on the grounds that he (the broker) has "inside" information.

TOLEDO, OHIO

This involves price considerations partially—some small corporations have high market values, in which cases 5% mark-up is usually sufficient. Low-priced stocks can command a higher mark-up under the "yard-stick." We doubt if it has affected the market very seriously.

CHICAGO, ILL.

Adverse.

CHICAGO, ILL.

Adverse—limits marketability.*

CHICAGO, ILL.

Impairs liquidity.*

CHICAGO, ILL.

None.

CHICAGO, ILL.

Deleterious.*

CHICAGO, ILL.

We are a small banking house and 5% mark-up in ordinary circumstances is satisfactory.*

CHICAGO, ILL.

None.

CHICAGO, ILL.

It has upset the apple cart all over the country.*

CHICAGO, ILL.

Bad.*

SMALL INDIANA TOWN

Might restrict activity or interest of brokers and dealers.*

INDIANAPOLIS, IND.

Lowers their earnings.*

INDIANAPOLIS, IND.

An adverse effect through lessening of trading interest on the part of dealers.*

*Commented anonymously.

FORT WAYNE, IND.

The "5% mark-up" rule, together with the many other unnecessary restrictions, offset any possibility of bringing new salesmen into the business; consequently, we have a stagnated market in securities of small corporations. A dead market exists today in unlisted stocks selling under $10.00 per share because it is not worth the salesmen's time and effort to solicit orders in these securities because of the small remuneration.

SMALL IOWA TOWN

It practically eliminates any market on small company securities.*

CEDAR RAPIDS, IOWA

Curtails the selling of venture capital stocks, bonds and preferreds.

LOUISVILLE, KY.

Quite harmful because it limits or eliminates activity in them.

LOUISVILLE, KY.

It has the effect of preventing certain of the smaller corporations from marketing their securities.*

GRAND RAPIDS, MICH.

It reduces our enthusiasm to make firm commitments in securities of the smaller companies, because if we buy a block of stock the salesmen feel they should have at least as much as if we participated in a new underwriting. This usually is between 12 and 15%.

GRAND RAPIDS, MICH.

Definitely retards such markets.

DETROIT, MICH.

Very bad.*

DETROIT, MICH.

On the basis of its application to our firm to date—NONE. Our firm deals considerably in the securities of smaller corporations.

DETROIT, MICH.

Hurt their market.*

DETROIT, MICH.

It has seriously hurt trading in low price stocks.*

DETROIT, MICH.

Diminishes trading interest which slows down further interest in any new or contemplated new issues for worthy small corporations' needs. It is definitely monopolistic, autocratic, discriminatory, etc. and a pain in the neck—Wud gladly sign—but the Gestapo mite get us! *

SMALL MICHIGAN TOWN

Not too much—at least we haven't found it so. Our principal objection to the 5% is that we are caught between shrinking volume and increasing overhead. Don't believe all restrictions should be abolished for, though it would seem that competition would regulate over-pricing, in many instances this is not a factor and doesn't enter the picture. Many clients accept our quote without question and, in the past at least, there have been firms that took advantage of similar situations.*

SMALL MICHIGAN TOWN

None.

SMALL MICHIGAN TOWN

I do not see how the 5% rule could interfere with the retail business. For a riskless transaction that is certainly generous enough. Lord knows we could all stand more profits but I think we must find more volume rather than ruin the business taking too much profit per transaction.

SMALL UPSTATE NEW YORK TOWN

None.

ROCHESTER, N. Y.

It has hurt them.

SMALL UPSTATE NEW YORK TOWN

Disastrous.*

SMALL UPSTATE NEW YORK TOWN

Very bad for financing.

ROCHESTER, N. Y.

It has made the market very inactive. If anyone thinks that a new man in the business can earn a living splitting 5%, then, he must be very much misinformed. Until an incentive is created, this business will not attract new blood. There is only one incentive, and that is the opportunity of making money, if you work.*

COLUMBUS, OHIO

Hurts like hell! *

PITTSBURGH, PA.

Adverse.*

PITTSBURGH, PA.

Very bad.

PHILADELPHIA, PA.

None.

SMALL PENNSYLVANIA TOWN

It hurts the market. Just as it ruins our business.*

PITTSBURGH, PA.

Practically no effect. The stagnation in the securities business is caused only in part by the NASD which is part of the whole fabric embracing just as nonsensical restrictions under the SEC. There is no economic justification for the existance of either of them. The whole concept is political and politics and business do not mix any more than religion and the State.*

PITTSBURGH, PA.

Helpful. Smaller "listed" companies do not do as well marketwise.*

PHILADELPHIA, PA.

Not much.*

PHILADELPHIA, PA.

Difficult to create a market.*

PHILADELPHIA, PA.

Very poor as the average dealer would much rather sell securities of more matured companies.

(Continued on page 35)

Trend of Business, Banking, Int. Rates

(Continued from page 33)

it, credit management in recent years has played an almost controlling part in our economic affairs. In the future, that role will increase rather than decrease. With a managed public debt and a managed money, the relation between the credit policies of the authorities and the rate of business activity becomes very close, as you gentlemen well know.

Our entire credit structure, or debt structure if you prefer to call it that, is on a much sounder basis than ever before. Probably the greatest single improvement in the field of debt is the almost universal use of amortization provisions in mortgage banking. In the past, any appreciable slackening of business was always the signal for widespread foreclosures in the home mortgage field.

Although amortization will not eliminate all foreclosures, it will greatly reduce their number and should almost eliminate the loss on the properties foreclosed.

Moreover, as a practical matter, there is little danger of foreclosure and forced sale of the homes which the veterans have bought with the assistance of the Government guarantees. Likewise, there is little danger of widespread foreclosures of the mortgages insured by the FHA. They all bear amortization provisions and, in general, have been carefully placed.

Thus, it is clear that real estate market demoralization from foreclosures and forced sales, which was an outstanding characteristic of all past business readjustments, will present no problem in the current readjustment. This is indeed comforting when we consider the dizzy heights which real estate prices reached at their peak in 1948.

From the standpoint of public psychology, the greatest new factor of financial strength is that we have eliminated bank failures and their depressing influence from the economy. Before the days of the Federal Deposit Insurance Corporation, a wave of bank failures usually either touched off the business reaction or accompanied it. In addition to the almost pathological state of public anxiety which banking difficulties engendered, they actually reduced the disposable income of the community by freezing the means of payment and causing economic dislocation. Furthermore, to the extent that the depositors sustained losses on their deposits, there was an actual decrease in the means of payment. The psychological and direct economic effects of bank failures, which so strongly accentuated the downward swing of the business cycle in the past, will be no problem in the future, so long as we have the competent and faithful administration of the Federal Deposit Insurance Corporation, which we now enjoy.

Our corporations, too, particularly the larger ones, are in a strong financial position. Large earnings have enabled them to rehabilitate facilities, repay debts and otherwise strengthen their position. They have conserved their cash by following conservative dividend policies; in fact, nearly two-thirds of their net earnings have been plowed back into their operations. This increase in equity capital provides a cushion which will greatly decrease the danger of failure when business activity declines and volume drops.

The Outlook for Loans

What will be the effect of the business readjustment on loan volume?

Well, the readjustment has made bankers more cautious in their

lending policies which, of course, adversely affects volume. Also, the decline in the rate of capital expenditures by business will reduce the demand for bank loans.

The real estate loans of the commercial banks have probably passed their peak—the commercial banks are no longer fighting for mortgages as they were a short time ago! And considering the price situation in real estate, this more conservative attitude is indeed appropriate.

The liquidation of inventories accompanying the business readjustment will reduce the need for credit and permit repayment of loans. As we return to the prewar patterns of trade, "hand-to-mouth" buying will again become the goal of most businessmen. To the extent they are able to do this, loan volume will be reduced. A special word of caution is warranted on inventory loans. For more then eight years, all inventory loans have been good. With rising prices, government purchasing and commodity shortages, you couldn't lose on such loans. Now, however, the downward trend in prices and volume changes all that. You must be especially watchful on inventory loans until the readjustment has run its course.

On an overall basis, the more cautious attitude of lenders and the reduced needs of borrowers will undoubtedly adversely affect the number and size of loans. It seems reasonable, therefore, to expect a moderate decline in total volume in 1949.

The Outlook for Deposits

How will the readjustment affect the deposits of commercial banks in 1949?

This question is much more difficult to answer than the previous one regarding the trend of loans. Although loan volume will probably drop, causing a reduction in deposits from that source, there are other factors in the situation which will probably more than offset such shrinkage. For example, lower reserve requirements, which seem imminent,[1] will in all probability lead to increased investment in government securities and other high-grade issues, which will, of course, increase deposits. Likewise, a continuation of the inflow of gold and a moderate decline in the money and currency in circulation, both of which directly increase deposits, seem reasonable expectations. The volume of time deposits, also, should show an increase, as savings are once more on an upward trend.

Weighing these various factors, it seems to me that deposits should increase moderately, or at the very least, maintain their current level.

Treasury Policies

Against the foregoing broad background of probable business and banking developments, let us project the indicated trends of interest rates and the probable money market developments.

You bankers are well aware of the government security rate pattern established at the beginning of the war, and its subsequent modifications. Also, I assume that at this late date there can be no question in your mind as to the ability of the government, within wide limits, to maintain any rate pattern it desires. Such being the case, we can immediately take up the specific rates and hazard a guess or two as to probable future developments.

The anchor of the entire rate structure is the long-term $2\frac{1}{2}\%$ rate. It may be taken for granted that it will be maintained in the foreseeable future. A more severe test than this rate successfully met last year can hardly be imagined. With the international situation unsatisfactory, with com-

[1] The Federal Reserve Board announced on April 27 a decrease in reserve requirements effective May 5. — EDITOR.

(Continued on page 36)

More Dealer Comments on Effect of "5% Mark-Up" Spread on Securities Of Smaller Corporations

(Continued from page 34)

PHILADELPHIA, PA.

None.

HARRISBURG, PA.

Restricts market and thereby limits availability of public financing by small companies.*

HARRISBURG, PA.

It is bearish on the market liquidity of some. Result: Why should one making a living deliberately attempt to do it the "hard way," when it is generally conceded unlisted securities are harder to sell than listed securities. Therefore, if only 5, 6 or 7% is to be had from unlisteds by a dealer (with lesser results to his clients and a constant anxiety because of lack of information) why shouldn't he deal in listeds (investment companies) if the return is only the same 5 or 6%. It's **drying up** the market for the securities of smaller corporations. I dislike the nefarious tactics of a union; and here I have to belong to the NASD. **Summary Conclusion:** Some plan for restricting dealers from charging exorbitant commissions, should be set up—but junk the NASD! *

ERIE, PA.

Makes a poor market.*

ALLENTOWN, PA.

Discouraging.

PROVIDENCE, R. I.

Probably not a great deal but [mark-ups] should be flexible.

SMALL VIRGINIA TOWN

No chance of wider distribution.

SMALL VIRGINIA TOWN

Limits it.

BRIDGEPORT, CONN.

I agree with your expressed reiterated editorial position. It doubly operates to close the public to opportunity to use venture capital new enterprise, and expansion capital for established successful small business. It tends to throw small business into the power of Federal Government financing agencies—which I suppose is one good reason why there will be no easy relief. Politicians always are eager to grab off more power, and make themselves the angels for those in distress.

BRIDGEPORT, CONN.

Adverse.*

HARTFORD, CONN.

None.

NEW HAVEN, CONN.

The NASD's "5% Mark-Up" Rule discourages dealers from handling securities of the smaller corporation because the cost of creating and maintaining active interest in securities of this type is greater than the expenses incurred when dealing in the over-the-counter issues of larger and better known corporations.

NEW HAVEN, CONN.

None.*

STAMFORD, CONN.

Bad.*

HARTFORD, CONN.

None.

BALTIMORE, MD.

Undoubtedly the "5% Mark-Up" Rule limits the market for the securities of the smaller corporation of the country.

BALTIMORE, MD.

None.

BOSTON, MASS.

None.

BOSTON, MASS.

Slowly but surely driving them out of business.*

BOSTON, MASS.

None.*

BOSTON, MASS.

None.

MANCHESTER, N. H.

Slows down business distribution.*

SMALL NEW JERSEY TOWN

None.

NEWARK, N. J.

None.

NEWARK, N. J.

Does more harm than good.

NEWARK, N. J.

Harmful.

NEWARK, N. J.

In my opinion, this Rule has a decided tendency to stifle the market.*

NEWARK, N. J.

Reduces liquidity—contracts the market, thereby making it difficult to finance smaller companies.

HARRISBURG, PA.

We believe it definitely restricts the market.*

PHILADELPHIA, PA.

Bad—Fear reprisals by the bureaucrats.*

PHILADELPHIA, PA.

The closer the spread the better for small corporations.

PHILADELPHIA, PA.

Practically none.

***Commented anonymously.**

PHILADELPHIA, PA.

On new issues there are times when more than 5% is justified, but not on the seasoned securities.*

PHILADELPHIA, PA.

Little or none.

PHILADELPHIA, PA.

Kills the interest of salesmen.*

PHILADELPHIA, PA.

None.

PHILADELPHIA, PA.

If enough confidence was in market it would be satisfactory to traders, but to sell for investment purposes and try to finance new companies, it is impossible.*

PHILADELPHIA, PA.

Restrictions, regulations and the like have a tendency to kill incentive thereby creating thin and subject markets. Although this rule does not retard us as our business is conducted at even a lower percent average, we still object to its implications.*

PHILADELPHIA, PA.

Very little.

PHILADELPHIA, PA.

Very bad—Afraid of NASD.*

PHILADELPHIA, PA.

Retards investment effort.*

PHILADELPHIA, PA.

It has an adverse effect on distributing securities of smaller corporations where the market is limited. If this rule were abolished, corporations with limited capital would have a better distribution of stock because it would be worth while for investment houses to take an interest in this stock providing adequate profit could be realized.*

PHILADELPHIA, PA.

It has created an adverse feeling toward these [smaller corporation] securities in the minds of the public. It has made the public "Mark-up" conscience. In the eyes of the public and the NASD the "Mark-up" is more important than the quality and availability of the security.*

PHILADELPHIA, PA.

None.*

PHILADELPHIA, PA.

It hurts.*

PROVIDENCE, R. I.

Since the remuneration under the 5% rule is not commensurate with the amount of work entailed in bringing such securities to the attention of the investing public, the financing of such companies must necessarily suffer. There is not a broad market for these securities and hence a lack of public interest. The principal objection of investors regarding unlisted securities as a whole is their feeling that there is not a broad market for same.

PROVIDENCE, R. I.

Probably makes for somewhat poorer market.

SMALL KANSAS TOWN

We think anybody can make plenty of money selling stock on a 5% spread if they have something worthwhile to sell.

SMALL LOUISIANA TOWN

Adverse

BALTIMORE, MD.

Contingent upon the marketability of the security.*

BOSTON, MASS.

Bad.

BOSTON, MASS.

Ruinous effect.

BOSTON, MASS.

It eliminates any profit incentive insofar as secondary markets are concerned and hence, contributes to the stifling of sources of venture capital or additional capital for small businesses. I have answered "no" to the question as to whether or not I employ salesmen. I have in the past had salesmen and certainly would do so again if I could offer them incentives which they need and have a right to expect, but no salesman in his right mind is going to spend much time trying to sell a "free market" issue or a secondary for the purpose of sharing a 5% mark-up, when he can sell or offer good investment trust shares to share in higher markups. Of course, as you know, a non-member cannot have a selling agreement to distribute the good high-profit investment trust shares. Who is going to sell stock of a small, good company, or provide a market for such an issue at a time when the same company may, with good reason, be seeking distribution of a new small issue for expansion purposes. The NASD method, if used in other industries, would certainly bring criminal prosecution under antitrust laws, wouldn't it?

SMALL MASSACHUSETTS TOWN

None—not understood by investors.

BOSTON, MASS.

Slowed it down and made it more difficult for the little company to raise money.*

SMALL MICHIGAN TOWN

None! They were quoting Northeastern Ins. $7\frac{1}{2}$ and $7\frac{3}{4}$ bid—none offered. For quite awhile during all this time I had "zoo" listed with a stock exchange firm (re: unlisted NASD quotes). Small corporations can finance if entitled to credit. Brokers (listed and unlisted) need a severe code of ethics with severe penalties for: (1) loading accounts; (2) over-activity; (3) unsuitable holdings; (4) improper portfolios; (5) encouraging margin accounts or borrowing; (6) poor record of performance over period of time; (7) distributing or acquiring securities as part of a plan detrimental to clients. And you can think of a lot more.

SMALL MICHIGAN TOWN

On smaller companies it is hard to get men to work on 5% commission.

Outlook for Business, Banking and Money Rates

(Continued from page 35)

mercial loan volume expanding, with real estate loan volume expanding, with municipal borrowings expanding, and with corporate issues expanding, the 2½% rate was under a great deal of basic pressure. At the same time, moreover, in addition to these natural forces, the insurance companies not only saw fit, on a statistical basis, to stop buying government bonds, they actually dumped on the Federal Reserve Banks some $3 billion of previously acquired holdings. Despite these serious threats to the 2½% rate, it was rigidly maintained; no government bond dropped below par.

The vigorous support, involving around $9 billion, which was given the government securities market should be reassuring. It also should give you a different approach to your portfolio problem! These long-term government bonds are utterly riskless and, as a practical matter, under the market support policy, they are as liquid as the short-term obligations! Moreover, although the Federal Reserve system has plenty of non-eligible bonds to feed out on the market whenever it displays strength, their holdings of bank-eligible issues are negligible. The implications are so clear that I am sure I don't have to labor this point for you experts.

The short-term rate is quite a different matter. Because of tax payments, money was very tight in March; yet the Federal Reserve Banks were not willing to buy certificates and Treasury bills as freely as before. Now that the Treasury is spending the tax collections, money has become rather easy, but the Federal Reserve Banks are not eager to sell their short-term issues. To me, this indicates a definite, and important, change in Federal Reserve policy.

As is well known, the Federal Reserve Board has not seen eye-to-eye with the Treasury for a long time as to policy on short-term rates. The Board has been anxious to unpeg the short-term obligations and to concentrate on maintaining the peg on the long-term issues. Apparently, the Treasury has not, heretofore, been willing to go along with the policy of permitting the short-term rates to seek their own level on the basis of supply and demand. The fact that the Federal Reserve Banks are no longer buying or selling bills and certificates freely, as in the past, points to a change in the Treasury attitude. These new developments indicate that the Federal Reserve authorities are going to do everything they can to have the short-term issues stand on their own feet. Greater fluctuations in the short-term side of the government securities market should now be anticipated. This new policy, also, indicates that the Treasury may be willing to offer medium-term notes in June for part of the $4 billion of Treasury certificates which become due and for the $1 billion of 2s of 1949-1951 which become callable.

Reserve Requirements

As you know, reserve requirements were raised to fight inflation. Now that the danger of inflation has definitely passed, unless, of course, we have a sharp enough increase in government spending to reverse the basic economic trend, the reason for higher reserve requirements no longer exists. On Feb. 14, in a statement before the Joint Committee on the Economic Report, Chairman McCabe reiterated the intention of the Board of Governors to "lower reserve requirements and similarly adjust regulations on instalment and stock market credit in accordance with the needs of business and finance." Since then, his statement has been implemented by the relaxation of Regulation W and the lowering of the margin requirements on stocks to 50%. Reduction of reserve requirements of member banks, also, is imminent; it seems to be merely a question of the best time, from the standpoint of public psychology, to make the announcement.[1]

The Federal Reserve System is thus definitely committed to maintain a high level of business activity. This means they are committed to an easy money, low interest rate policy; and what is more important, they have the power to effectuate such a policy. As only half of their $23 billion of gold certificate reserves is now being used, they have sufficient "free gold" to double their deposit and note liabilities if necessary to carry out their policy. (I hasten to add that I do not think any further Federal Reserve credit expansion will be necessary to keep rates low.)

Effect on Government Securities Of Lowering Reserves

It should be pointed out that the reduction in reserve requirements will have important repercussions on the government bond market. The reduction in reserve requirements will substantially increase the bank demand for government securities. This creates a debt management problem, as the Federal Reserve Banks have relatively few bank-eligible bonds, yet they would like to bring to a halt the continuous rise in the bank-eligible issues. Here we have another instance of the basic conflict between debt management and money management. In carrying out their responsibility to banking and business, the Federal Reserve authorities must lower reserve requirements. In doing so, however, they run the risk of a runaway boom in the bank-eligibles.

Although I have no "pipeline" into the Board and the Treasury, and thus have no direct knowledge of what they actually will do, there are three logical ways to prevent the bank-eligibles from getting out of hand, which I now want to bring to your attention.

First, as I intimated a moment ago, the Treasury may be getting in position to offer either long-term *notes* or medium-term *bonds* in the June refinancing. This would increase the supply of medium maturities which the commercial banks could buy and would remove a great deal of the upward pressure from the longer issues.

On the other hand, if it should develop that the Treasury is not willing to offer a medium-term issue in June, the eligibility regulations could be relaxed to permit the commercial banks to invest a percentage of their time deposits in issues which are not eligible now.

And finally, the Series F and G bonds could be adapted to this purpose by means of a special offering.

As any of the foregoing measures would absorb the "freed" reserves, the lowering of the reserve requirements may be followed by one of them. In any event, however, present indications point to changes in the short-term and medium-term sectors of the government securities market and rigidity in the long-term sector.

The Money Market Outlook

We now come to the "pay-off," namely, the application of these basic factors and probable developments to specific rates. The effects of the spreading business readjustment may be summarized by saying that risk is once more one of the chief factors in business. This naturally has a direct effect on the various money rates.

Increasing risk will cause over-the-counter rates, for example, to continue to firm, but a more marked effect will be a widening of the spreads between the various categories on the basis of the risks involved.

In mortgage lending, increasing risk has once more made lenders cautious, and rates have substantially stiffened throughout the country. Unless the government intervenes in some more effective way than is now indicated, this upward trend may be expected to continue.

In the government bond market, the long-term issues will remain pegged; and the probable changes in the other issues have already been discussed.

Municipal issues will be characterized by a widening of the spreads between the best and the other grades. Close scrutiny and thorough analysis are once more necessary. There is a vast range in quality in municipal issues. See that you determine the quality before and not *after!*

Turning to corporate issues, I anticipate increasing spreads between the various ratings as risk increases. In particular, I look forward to a widening of the present artificially low spread between the triple A corporate and the government issues. Whereas last year the insurance companies, as a group, sold some $3 billion of government issues and used the proceeds to buy mortgages and corporate issues, this year they may be expected to do the opposite. The November election returns and the uncompromising way in which the monetary and debt authorities maintained government bonds above par regardless of economic developments and consequences should have opened the eyes of those responsible for insurance company portfolios. Now they know that they can view the supported long-term government issues as riskless and highly liquid. This being the case, they may be expected to demand a higher return on corporate issues, as no private obligation can have the quality, liquidity and stability of the long-term government bonds under such conditions.

The Outlook

In closing, may I reassure you that we are not headed for a business crack-up. Prices will drop, but physical volume and employment will hold up remarkably well if manufactured product prices are not kept on stilts by artificial means. If the problems of the readjustment are solved by industry in the old-fashioned way of hard work, ingenuity, imagination and lower costs, we have nothing to worry about. As for banking, I suggest that you keep one eye on Washington, the other eye on business, and, as the popular song advises, just "do the things which come nacherly."

But whatever you do, don't forget that we are blessed with a dynamic economy. Our people are fertile—the population increased 2,500,000 in 1948 alone. We have the technical know-how and we have the capital and credit to give it full scope. Atomic energy, coal liquefication, synthetic textiles, plastics, super-highways, and a good $10,000 house for $10,000 instead of $22,000, all await the magic touch of our production genius. What are we waiting for?

[1] The Federal Reserve Board announced on April 27 a decrease in reserve requirements effective May 5.—EDITOR.

Howard Morton Dead

Howard Morton died at his home in New York City at the age of eighty-four. Mr. Morton before his retirement was with McDonnell & Co.

Business Education For Free Enterprise

(Continued from first page)

which ingenious developments in technology and science have been implemented by the genius of American finance, production and distribution. The existence of technology and scientific discoveries alone is not enough. They must be harnessed in the interests of civilization and ever higher standards of living. The success of this in America stems in large measure from the activities of our business and industrial leaders.

There is no society in the world where an individual has more independence than is enjoyed in the United States. Individuals are able to choose their own careers, prepare for them, and follow them. One can still do pretty much as he pleases, about anything, provided he does not infringe on the rights of others. This has made for individual initiative and contributed to the building of our system of free enterprise.

Things That Give Concern

Even though America's greatness is recognized to be a product of free enterprise, we see going on around us constantly a number of things which should give concern to those who believe in the system and to those who realize that free enterprise has its roots in individual freedom and liberty. Too many of us are apt to take for granted that the free enterprise system will continue. A careful analysis of present day trends, however, makes it very clear that there is an increasing encroachment on the American way of life which has been the foundation of our society. One has only to view the encroachments of both the Federal and State governments. Time permits only a few examples: The Federal Government is to an extent competing with private banking in the lending of venture capital through the activities of the Federal Reconstruction Finance Corporation. This is a matter of vital concern to the private bankers. In the real estate field, one sees both Federal and State governments actively engaged in housing programs as well as in the control of rentals paid for use of privately owned property. Public housing and rent control are infringements on free enterprise in both the building construction industry and finance. These activities are also impediments to private activity in the building and financing of homes so essential to meeting the long-range housing needs of our nation. In the support of prices of farm products, too, the Federal Government limits free enterprise. On the one hand, consumers are told that they shall not buy as cheaply as some producers are able and willing to sell, and on the other hand farmers are told what and how much they can plant and market.

Pressure Groups Seeking Government Subsidies

Today, one sees a great many pressure groups, including industrialists, labor groups, farmers, educators and veterans of several wars, seeking the assistance of the Federal Government in carrying out some program or another. Each time assistance is given there is a limitation of the freedoms and personal liberties of everyone including those who are the beneficiaries of the program sponsored. All this results in more and more taxation and places heavier burdens on business and industry. The present heavy tax burden is a serious threat to free enterprise and our way of life. As the government expands its activities, there are those who willingly further the concept that it is the duty of the government to tax all citizens according to their means to the end that the government will care and provide for all. The end result could be the establishment of a common level of cultural and economic status for everyone — not unlike the pattern followed by totalitarian states. Those who do not subscribe to the theory that the government can provide for its citizens better than they can provide for themselves are vitally concerned over present-day trends. Concrete evidence of cause for this alarm is the fact that approximately one-third of our national income is channeled into running what is already the biggest business in the world—government. When one reads the Hoover reports on the efficiency of operating our Federal agencies there is little doubt as to whether the government or private enterprise can best serve public welfare. Our nation would be stronger and many could better care for themselves if less of our national income were diverted from the channels of production.

One must admit that a certain amount of governmental regulation of business is desirable, but the danger inherent in the increasing control of private enterprise on the part of the Federal and state agencies is perhaps the greatest threat to free enterprise.

It often starts merely as a partial control. The excuse is the "welfare of the majority," which in many cases is merely a response to the pressure of minority groups or grabs for power. The partial control of an economy by the State feeds on itself and consequently increases the stronghold of public officeholders—a process going on in our country today. In some countries, this partial control by public agencies has resulted gradually in complete control and the loss of all freedoms. It is unfortunate that the aspirations of public administrators for the expansion of their responsibilities and powers seem to know no bounds.

Trends Significant in Business Education

All of this has great significance to the field of business education. However, when one talks about business education, it is something one must define. There is business education at the public high school level, the private business college level, the junior college level. In addition, there are the four year college of business and the graduate school of business. The intensity of instruction at these various levels will vary, but the principles underlying many subjects being taught are essentially the same regardless of the level. In thinking about the responsibilities of business education in our present day society, I am thinking particularly about the responsibilities at the college level, including four year colleges, private colleges and junior colleges. The responsibilities are serious ones and particularly so as they relate to what is taking place in our economy. If America is great because of its free enterprise system, we have an obligation to teach not only what this system is, but also the present day trends which are threatening it. This means that we must not only teach the principles of business as they relate to a free enterprise system but also the encroachments which result from pressure from narrow interest groups. Public finance, for example, should teach our students that government services, once established to meet emergency situations, are apt to con-

tinue even when the emergency no longer exists.

The protection and preservation of a free economy demands that we as business educators develop leaders and statesmen—in the field of private business as well as in public administration—who can speak in defense of the free enterprise system.

I appreciate fully that until recent years, business educators have been busy occupying themselves with the problems of establishing business education on a firm footing on the collegiate level. Many colleges of business administration have been under the influence of economists whose concepts of realistic training have not always been in step with the needs of a practical business world. The lack of respect for collegiate business training among educators has resulted because the business educators have permitted their colleagues to become dumping grounds for students who could not make the grade in other programs of study. Moreover, many well qualified to study in the field of business have been barred from studying business administration because they have lacked the entrance units customarily accepted for admission of Colleges of Arts and Sciences and erroneously established by our faculties as proper criteria of qualification to study Business Administration. There has not been a close enough relationship between our business colleges and businessmen. In this connection, both would be served if teachers of business were required to spend, periodically, some time as interns in the fields in which they are teaching. The programs of study have covered too much. Part of this has been caused by an attempt to make the bill of fare attractive to prospective students. Furthermore, there has been too much emphasis on turning out executives. The college can only lay a foundation on which the individual or others can build.

Business Training Is Professional Education

The time is now ripe for educators in the field of business to take their places at the table of professional education. More and more businessmen themselves and particularly those in specialized fields are rating themselves as professional men, no less than the lawyers and doctors. In fact, business is becoming so complex that professional training is essential for success. In the field of real estate appraising, for example, one must become an expert with a great deal of professional training or his appraisals are not acceptable. The licensing of individuals to practice certain other business professions is further evidence of arrival at a professional status. Recognizing that education for business has taken on the cloak of professional training, today's challenge to business educators is even greater.

If the American system of free enterprise, a system which has developed the highest standard of living in the world, is to continue to exist, our collegiate schools of business must train competent professional men, men qualified and capable of assuming leadership and responsibility in the affairs of the business world. The product of our colleges individually and as a group must have such training and understanding that they are qualified to speak for all that is good in free enterprise. This points to a definite need for better standards for selection of students and the teaching of a clear understanding of the American way of life as part of a program of study based on fundamentals.

The problem arises, therefore, as to how we should select the best qualified to train and what we should teach once those to be trained are admitted to our colleges.

It is axiomatic that if business training is to be on a professional status, the standards for selecting students must be guarded jealously and raised to the highest levels possible consistent with good educational policies. More emphasis must be placed on tests which reveal general intelligence and adaptability to business as well as the individual's leadership qualities.

Educators will not always agree on courses of instruction and what is most important. At the risk of criticism, I am going to suggest some courses of instruction which seem to me to be basic. These suggested courses are not included in the curricula of more than a few colleges of Business Administration. Colleges of Business Administration must, of course, continue teaching basic principles in such fields as accounting, marketing and selling, organization and management, and economics. There is need, however, to perfect our techniques in handling these subjects.

To meet today's business training needs the curricula should include courses dealing with the American Way of Life, business terminology, business communications, human relations, public relations, policy making and business ethics, and the social responsibility of business.

An understanding of the American Way of Life needs special treatment. It will not result from offering just another course in American government. It must be a course involving a clear presentation of the role of the capitalistic system in our economy; a contrast of the American system of free enterprise with other systems and an analysis of trends in our present-day economy with emphasis on the proper relations between business and government under a free enterprise system.

Business Terminology

A separate treatment of business terminology deserves special attention. Too often, we expect students to read and study intelligently without an adequate understanding of the true meanings of terminology. Many graduates of collegiate schools of business have an inadequate understanding of the language of the business world. For example, few students could define accurately the terminology of negotiable instruments or the jargon of the commodity exchanges.

The art of communicating ideas is a businessman's most valuable tool. This must be taught not just as another English course but as the art of presenting one's ideas effectively both orally and in writing, recognizing that effective presentation often involves the use of graphs and charts.

An understanding of human relations is a "must." The student of Business Administration must be taught how to get along with others or it may matter very little how much other training he has received.

For any business organization public relations is just as important as human relations is for the individual. The success or failure of a business organization depends on eliciting a favorable response on the part of employees, customers and the general public. Failure to understand clearly the significance of good public relations can be costly to an organization.

Truly "professional" training must involve a clear understanding of the role of policy making and its significance in the conduct of business. Hand in hand with this goes an understanding of good ethics in business conduct. Businessmen engaged in many different fields of specialization have reduced to writing what they consider to be good ethics for members of their profession.

Social Responsibility—the Cap-stone

As a cap-stone of professional business training there should be included in our curricula a course which makes for understanding of the social responsibility of our business and industrial executives. Much of the strife between management and labor could have been avoided if businessmen had had years ago a clearer concept of their social responsibility. The same holds true for the future. Free enterprise is not just rugged individualism; it stems from individual initiative and thrives on cooperation with others and the community.

Incorporating these suggested courses in addition to those now standard may require some revamping of the program offered in the individual colleges. If so, revamping is probably needed because the body of knowledge available for professional training in business administration has expanded tremendously, opening up many new horizons.

Business educators who sincerely believe in free enterprise as a bulwark of our nation's strength have a singular opportunity in training today's youth for tomorrow's leadership. It is their privilege to train business and industrial leaders who will have it within their power to shape the future pattern of our business economy.

If we can impart to our students of Business Administration the enlightenment and understanding of the way of life that has made America great and at the same time develop a conscious recognition of the responsibilities of business executives as professional men, we can have every hope that America under a free enterprise system will be preserved and made to work more effectively for the welfare of all our citizens.

Chicago Exchange Gets Slate for Election

CHICAGO, ILL. — Harry M. Payne, Webster, Marsh & Co., Chairman of the Nominating Committee of the Chicago Stock Exchange, today announced the Committee's nominees for offices to be filled at the annual election of the Exchange on June 6 next.

Homer P. Hargrave, partner of Merrill Lynch, Pierce, Fenner & Beane, was renominated to serve a third term as Chairman of the Board of Governors.

The following were nominated to serve three years as members of the Board of Governors:

Sidney L. Castle, Carter H. Harrison & Co.; Chancellor Dougall; William A. Fuller, William A. Fuller & Co.; August I. Jablonski; Earl F. Nietzel, Webster, Marsh & Co.; Leonard J. Paidar, Goodbody & Co.; Frank E. Rogers; Frederick M. Tritschler, The First Boston Corp.

Carl J. Easterberg, Riter & Co., was nominated to serve one year as a member of the Board of Governors. Of the nine nominees for the Board of Governors, three were renominated: Messrs. Sidney L. Castle, Chancellor Dougall and Leonard J. Paidar.

The Nominating Committee which presented today's report consists of: Harry M. Payne, Chairman; William T. Bacon, Bacon, Whipple & Co.; Emmet G. Barker, James E. Bennett & Co.; Lyman Barr, Paul N. Davis & Co.; and Ralph Chapman, Farwell, Chapman & Co.

Robert G. Hutchins Dead

Robert Grosvenor Hutchins, died at his home after an illness of six months. Mr. Hutchins was a former officer of the National Bank of Commerce and from 1919 until 1927 was a partner in Hallgarten & Co.

IBA and Revitalization Of Capital Markets

(Continued from page 7)

young men returning from the war and other young men the opportunity to learn the securities business in a sound and comprehensive way. This Committee put out the "Fundamentals of Investment Banking" which is the standard book on the business. The training program worked out by this committee has been an overwhelming success. I am not so sure about the follow-up on the part of the business itself.

Last week, I had a most interesting meeting with the class in investments at the University of Texas, which is conducted by Jack Taylor. This class consisted of about 190 fine looking young people. Jack said that about 40 of them are interested in getting into the investment business. We talked about the future of the business and then they asked questions — all very intelligent questions. At the end of the class, a great many of them came up and put me on the spot. They said, "You admit the business needs new blood—that you need a whole new force of men who are willing to spend four nights a week in a country hotel or work at night or do anything that will get these people in the grass roots investment-minded and make customers out of the new crop of savers that we have in this country today. We are willing to do that. Now, how do we go about getting a job?"

Jack said that many more of these young men could be pushed into investment banking, but that he knew the practical end of the job situation, and with business in the doldrums, there was no use pushing them into a field that they had a slim chance of getting into. He is absolutely right. The business talks a lot about getting new blood, but it's not following through as well as it should.

I should like to tell you how I feel about the very practical questions which these young men put to me. I know it is not normal procedure to take on additional overhead when times are dull. I think, however, that a rationalization of this will convince us that we are putting the cart before the horse. Presently, most of us are keeping the wolf away from the door, but by and large, business is not good and we are not doing a constructive job in moving venture capital. Because we are coasting along without any serious upheavals, we are not aware of the dangerous shoals that lie underneath, but let me tell you, brethren of the investment business, that we are a lot closer to being on the rocks than you think. If we do not get this venture capital problem whipped, we'll be there. The danger flags are really up, and it is time to take stock of what we, individually, are doing about this problem.

Improvement in Securities Merchandising

We need others to help us in the angles of this problem involving taxes and Federal legislation. But there is one important phase of the problem that is our own responsibility, and that is the improvement of our merchandising methods. There is a lot we can learn in the way of techniques, advertising and sales promotion ideas. In the last analysis, however, they all involve man-power. I don't see how we can turn qualified young men away from our doors just because business is bad and expect to be a dynamic factor in our economy. We have already let the life insurance companies and other institutions preempt a large part of our business. We are not seeing the new crop of savers who should be our customers. These are the people who can make our business good. These are the people who can save our nation from socialism. The only way they will engage in this fight actively is to make them feel the pride of ownership. Their ownership of a piece of American enterprise will be the greatest bulwark against communism that we can erect. We, therefore, have a reason for doing this merchandising job that transcends the immediate needs of our business and involves a far wider social horizon.

The young candidates for jobs in this business will be in to see you one of these days. As far as Jack Taylor's class is concerned, they will all be screened by the IBA test with which you are familiar. I feel that this procedure, through the work of our Education Committee, will be adopted in other colleges. Therefore, the young men who will come to see you will have their credentials with them. You will be able to judge their qualifications much better than you would have in the past. If these qualifications measure up to the standards which you desire, then you are presented with an investment opportunity. It is more important to you, in my opinion, than the hottest securities offering you will see this year. I hope you will take the risk.

Blyth & Co. Headed Syndicate Offering Pacific Gas Preferred

Representing one of the largest preferred stock offerings to originate in the American public utilities field, a nationwide syndicate of approximately 200 underwriters headed by Blyth & Co., Inc., marketed on May 4, 1,500,000 shares of 5% redeemable first preferred stock, series A (par $25) of Pacific Gas and Electric Co. Public offering price was $26.75 a share.

The net proceeds from the sale of the new preferred stock will be used principally for the company's construction program which it is estimated will total approximately $459,000,000 in the years 1949-1951 inclusive. Although the program embraces construction of all types of service facilities, both electrical and gas, emphasis is being placed on the installation of additional electrical generating capacity. The program also contemplates construction of one of the major natural gas pipe line projects in the United States. Traditionally known in the past as a predominantly hydro system on the electrical side of its operations, the company will have more installed steam generating capacity than hydro by the close of 1951.

Pacific Gas and Electric Co. was incorporated under the laws of the State of California on Oct. 10, 1905. The company is an operating public utility engaged principally in supplying electric and gas service throughout the major portion of northern and central California. In 1948 revenues from electrical services accounted for 66.7% of gross operating revenues and gas service 32.6%. The company is the second largest utility in the country from the standpoint of total assets and ranks third from that of gross operating revenue. It is now in the 44th year of its corporate existence and the 96th year of operation including its predecessors.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Sharp jump in short interest gives market ammunition to feed on if rally occurs. Some stocks look sold out.

There doesn't seem to be much point in speaking about a market that doesn't seem to do anything. A dull irregular performance is one of the deadliest things to watch. It is in such periods that moves taken can be as wrong as they can be right. Under such conditions a wise thing to do is to perhaps forget the stock market and retire until the picture becomes clearer.

* * *

But if the market as a whole seems to have its mouth shut tight, there are stocks that persist in showing promising action. Some of these we hold, others we do not.

* * *

For the past few weeks this column has been saying that the major picture showed higher prices and specific action here and there strengthened that belief. But seeing such action and having the market confirm it, is another thing. The one encouraging thing present at this writing is that mass opinion, bullish so long, has again veered to the pessimistic side. From what I can discover the bears outnumber the bulls today by a large margin. Evidence of this is that the short interest today is probably the highest it has been in almost two years. Such a condition in itself often has within it the spark that sets off a "surprise" rally.

* * *

Whether such a rally can develop into anything further is of secondary interest at the moment. A rally out of the current market can easily start a stampede among latent bulls, fed by a running-to-cover short interest, that can carry the averages at least four-five points higher than any immediate technical considerations call for.

* * *

The news is a cross-section of good and bad. Your daily papers cover this without my going into it. So I'll devote the rest of this column to the stocks you have and those I think stand a better than even chance of advancing in the near future.

* * *

Cooper Bessemer was recommended some weeks ago at 28 with a stop at 27. Stock is now about 34, the rise fed somewhat by the news of the 50% stock dividend. Dividend isn't payable until June 7 or thereabouts. But meanwhile stock looks capable of going to about 36 to 38. I suggest you take your profits within that range and let somebody else worry about the stock dividend when it comes due.

Dresser, bought at 21½, stop 18, is a strong stock though not impervious to a general decline. Hold on but remember that 18 stop. Bristol Myers at 31 is not doing well. It has a stop at 29; watch it. Newport Industries seems to have been liquidated to a real base. A break from around 40 to its present price of 10, makes it attractive. Buy it around 10 with a stop at 8½.

More next Thursday.

—Walter Whyte.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert W. Reed is now with King Merritt & Co., Inc., Chamber of Commerce Building.

With First California Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Charles C. Cole has been added to the staff of First California Co., 300 Montgomery Street.

Hannaford & Talbot Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Malcolm Moulder has been added to the staff of Hannaford & Talbot, 519 California Street.

With Herrick Waddell

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Merrill G. Tennyson has been added to the staff of Herrick, Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Wm. Van de Carr Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—William Van de Carr is engaging in a securities business from offices at 118 South Beverly Drive.

G. Brashears & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—G. Brashears & Co., 510 South Spring Street, members of the Los Angeles Stock Exchange, have added William T. Crawford to their staff.

Martin S. Watts Dead

Martin Sheeler Watts, who retired twenty years ago from partnership in Langley & Co., New York City, died of a heart ailment at his home at the age of seventy.

Life Insurance Companies Not "Too Big"

(Continued from page 7)

What the critics forget is that this country never would have achieved the greatness it now enjoys without large corporations properly conceived, regulated and managed. Nevertheless, some people apparently feel that any irresponsible tirade against business is mighty good politics—particularly if the business happens to be big. You gentlemen as realtors have every reason to know all about such badgering.

Place of Life Insurance in the Economy

In considering the place of the life insurance company in the American economy, let's look briefly at this question of size and growth. In the case of the company which I represent—as in the case of its sister companies almost without exception — the present size is the result of natural growth —a product of its efforts over nearly 75 years to serve people who needed and wanted its services. In addition to its insurance service, it supplies, widespread all over the United States and Canada, capital and financing for people in all walks of life. We are not a company of the East or the West, but a truly national company offering our facilities to all communities.

The United States is growing and has grown very rapidly in the past 25 years. The needs of a population of about 114 million people under conditions as they existed 25 years ago are very different from those of today's population of about 148 million people living under entirely different conditions, and with a vastly expanded income. For example, where we were building two-lane highways 25 years ago, today we are building six or eight-lane highways to carry the automobile traffic — and in some places we must find ways to go beyond that.

Insurance Companies Not Growing too Fast

With this in mind it is fallacious to say that life insurance companies, and particularly the large companies, are growing too fast as compared to the financial needs and growth of the country as a whole. As a matter of fact, they aren't keeping abreast of their job. In 1925 the total life insurance in force was $2,400 per family. This was 89% of one year's average income. Twenty-three years later, in 1948, the life insurance in force per family was $4,800, and this was only 86% of one year's family income. Does that impress you as being a dangerous rate of growth? Neither 86% nor 89% of one year's income is sufficient for the insurance needs of the average American family.

How about assets? Over the ten-year period, 1937-47, the increase in all life insurance assets was about 100%. Individual savings other than those in life insurance increased 320%. The increase for the single item of time deposits in banks has approximately equaled the increase in insurance company assets. From these figures I draw the reasonable but regrettable conclusion that insurance companies have not grown along with the growth of thrift in the nation to the same extent as other thrift institutions.

Are the larger companies holding their position in the total growth of the life insurance company business? The figures show that they are not. Over the past ten years there has actually been a decline in the Prudential's percentage of all the new business written, and this is also true in the case of other large companies. For example, in 1937 the Prudential wrote slightly less than 18% of the total new business for that year. In 1948 we wrote only 11.9% of the total of new business written. We did not do a poor job nor did our sister large companies; in fact, we all did a good one, but the change was brought about by gains made by newer and smaller companies (which smaller companies seem to be doing very well for themselves) despite the competition of the large companies. We think this is a healthy state of affairs.

What about the distribution in growth of life insurance assets? Because of the large number of older policies on their books, the older companies tend to accumulate reserves and assets at a faster rate than do those more recently organized. Take my own company, which is in its 74th year. In 1937 its assets amounted to 13.7% of the total assets of all life insurance companies. Ten years later this figure had increased to only 14.2%, in spite of the tendency just referred to. Again this is a reflection of the number of new life insurance companies which have entered the field, and the increasing proportion of business being done by these and other smaller companies.

Two things are clear: first, the life insurance industry has not fully maintained the average life insurance coverage per family in terms of the purchasing power of the dollar; second, the larger companies are tending to write a progressively smaller percentage of total new business. It is a matter of regret to me that the companies, large and small, have not further increased their writings. The economy of the country would be stronger if more life insurance were outstanding.

No Control Over the Economy

What control do life insurance companies exercise over our economy, and what means do they have to exercise any such control?

Distribution of assets among the various types of investments will differ from company to company. However, it is probable that 90% or more of total assets in any case will be distributed in varying degrees among three major forms of investment: (1) Government bonds, (2) other bonds and stocks, and (3) real estate mortgages. Much smaller percentages of assets will be found in policy loans, real estate, cash and miscellaneous items.

To the extent our assets are made up of Government bonds, it seems to me that there can be no possibility of any economic domination whatsoever. The same is true in regard to the relatively small part of our assets which is represented by policy loans.

The corporate securities likewise in my opinion do not offer or afford any economic power on the part of life insurance companies. As a matter of policy in the company which I represent (and true, I believe, with the oher companies) we do not seek to place directors on the boards of borrowing corporations. Except for the relatively small holdings of certain publicly distributed stock issues, none of our holdings of corporate securities entitles the company to any voting power or managerial voice in the business unless there shall have been a default or other breach of contract. I believe this also is true throughout the industry. So long as the contract is carried out by the borrower, the company has no voice in management. It is essential, however, that we be in position to protect the interests of the policyholders in the event of default. Protective provisions are generally used in corporate security agreements whether the securities are publicly distributed or the loan is placed directly. Such machinery is used by life insurance companies solely to protect the interests of their policyholders—which, of course, is a primary obligation of management. But, you may say, in the event of default isn't it conceivable that an insurance company might be obliged to have some voice in management to protect its policyholders. The answer of course is "yes," but I think the record shows conclusively that where such situations have occurred, insurance companies have not sought to retain their voice in management any longer than was absolutely necessary for the protection of the invested capital. The corporate management, if it does not agree, always would have access to the courts which could take over the management of the company.

Direct Placements of Security Issues

You may have heard or read some discussions in regard to the so-called direct placements of security issues. There is nothing new about this. It is as old as any form of lending where the dealings are directly between borrower and lender. It has been engaged in by insurance companies for many years. Its recent popularity in competition with other methods of investment placement is a clear indication that it is both desired and needed by American industry as a whole. In numerous instances, of course, such issues are brought to us by investment bankers acting for the borrowing company. Some of the advantages of a direct placement are: it is less expensive; it is easier to administer from the point of view of both borrower and lender, and more flexible from the point of view of the borrower; it makes possible more effective covenants for the protection of the lender, and yet the borrower can receive adjustment in the convenants more easily if need arises; and it affords an opportunity to obtain necessary financing on reasonable terms to many industries, particularly small ones, to which other financing media are not available or adequate. It is our feeling that sound, small companies in small communities should have as ready access to investment funds as their larger competitors. There are many small, sound, well managed companies which are certainly entitled to credit beyond the means of their local banks and communities. A company such as the one I represent can and does provide such credit through direct placement in a manner which would not be practical were there a large number of lenders supplying the capital. Direct placements are not, of course, a substitute for other means of financing. Most borrowers will continue to be served by other financing media, but in those cases for which they are suited and where both borrower and lender prefer them, direct placements represent a real and advantageous contribution to our economy that should not be discouraged.

Mortgage Debt

What about mortgage debt? What are the possibilities of life insurance companies exercising undue influence through such investments?

In 1925 the total mortgage debt in the United States in round numbers was around $32 billion. All life insurance companies held 15.2% of that total, and the Prudential held 2%. At the end of 1947 the total mortgage debt was about $45 billion. Of the total amount all life insurance companies combined held less than 20%, and the Prudential only 2.8%. Over 80% of the mortgage debt was held then and is held now by commercial and savings banks, building and loan associations, and others. As you gentlemen know, competition among mortgage lenders has been and is very keen. The possibility of any one lender or

group of lenders dominating this field of investment is extremely remote. So far as any one insurance company is concerned, it is obviously an impossibility.

It is not my purpose to talk about any one company. However, I know my own company figures best, and I want to give a few of them as illustrative of what life insurance does in our national economy. Our own mortgage loan account is sizable. It consists of approximately 222,000 individual mortgages totaling approximately $1,765,000,000. These loans, which average less than $8,000, cover a very wide range of securities located in over 5,000 different communities in the United States and Canada. It has been and is our basic policy to make mortgage credit available in all sections of the country and Canada wherever possible, reinvesting premium dollars back in the communities from which they come. In order to accomplish this we have established 28 mortgage loan branch offices with a number of sub-offices, which cover the two countries. These offices are set up to handle all types of real estate loans—city loans, farm loans, suburban loans, loans on industrial plants, etc. They also provide other financial services to large and small business in cooperation with our Bond Department. Last year we approved new mortgage loans amounting to $740 million. A very large portion of this amount represented loans made on homes to provide needed housing in all sections of the country. Since the passage of the Servicemen's Readjustment Act, we have approved loans to over 40,000 individual G. I.'s which have enabled them to purchase homes. We now have on our books loans to over 32,000 individual farmers.

Our largest mortgage loan? It isn't in New York City. It isn't in the East. As a matter of fact, it is a loan of $23 million in Cincinnati. Our second largest mortgage loan is in Chicago. The more we can lend here, the better we will like it.

As I stated previously, our average mortgage, including those on large office buildings and commercial securities, is less than $8,000. To me that doesn't suggest any possibility for economic control. It does suggest a conscientous job in providing financial services to the small people in this country who need and should have it.

There is another aspect of mortgage lending in which size and strength have served the interests of the individual borrower and the country. During the last depression many worthy borrowers temporarily were unable to meet the contract payment on mortgages we held on their homes and farms. A less strong creditor would have been unable to extend the leniency we did extend to deserving borrowers. Despite this leniency, we were obliged to acquire a considerable number of properties. A less strong creditor might have been compelled to dump these distressed properties on an already crumbling market at cut rate prices, thus further depressing values. We were able to avoid this. We pursued an orderly process of liquidation and, as a matter of record, re-sold many of the foreclosed properties back to the owners at cost without cash payments and on liberal terms, thus enabling them to regain their properties. There are many letters in our files from people who were thus aided and who have not forgotten that fact. In the life insurance business we deal with family and human relations. Our policy of treating with our borrowers must be and consistently is conscious of the individual's problems.

Wider Real Estate Investment

Investment statutes in various States in the last few years have been amended to permit insurance companies to buy certain types of income-producing real estate for their investment portfolios. Under the New Jersey law we are permitted to invest a maximum of only 5% of our assets in such real estate, including housing but excluding Home Office buildings. In four years we have bought only a small fraction of that amount. The entire 5% would be the equivalent of only about one-half of the mortgage loans we approved in 1948. That comparison throws the matter of real estate ownership by life insurance companies into proper perspective. I believe that real estate holdings by life companies will always be relatively minor and not of much significance in our economy.

In my view, the life insurance companies, in their role of channeling capital into productive developments throughout the country, have a real and lively obligation jointly with the realtors of our nation to work toward the stability and building for permanence of our communities. This is true whether in the field of industrial building, commercial development, or housing. The more we study the plans for development of our cities throughout the country, study the housing situation which is to the forefront in many places, and consider the difficulties incident to insurance company ownership, the more we become convinced that our best contribution to the solution of these problems, in most cases, can be made through our traditional role as a mortgage lender. Thus, we can provide funds for the construction of small homes, apartments and large housing projects by experienced local private builders and real estate men who have the know-how to get the job done.

Our contribution in this respect has not been inconsiderable. At the end of last year, dwelling units covered by Prudential mortgages were sufficient to house the combined population of Memphis, Tennessee, Louisville, Kentucky, and Portland, Oregon. Many of these were in large multi-family projects. Our sister companies likewise have great coverage.

What I have told you tonight, I believe indicates a very real contribution to the national economy by the large and the small insurance companies. We are service organizations, primarily, offering the means of preparing for the future in the form of life insurance and, in addition, rendering a necessary service to the people of the United States and Canada by putting money to work in sound, productive places. This may be in the financing of a home, furnishing the money for improvements on a farm, or making loans to business to increase productivity and provide employment. Our service to the public calls for an industry great in number of companies and great in assets. The only question is whether our tools are equal to the job, but we will bend every effort to see that they suffice.

Strategic Factors in Business Outlook

(Continued from page 18)

and equipment and high government expenditures for military purposes and to meet international commitments accentuated the boom.)

Inventory accumulation may augment demand because it creates jobs and, to the extent that it is based on credit, it creates new money. If, however, prices rise too much, the purchasing power of the new money created in the process extinguishes the original demand-creating force of such inventory accumulation. As a consequence of a price rise which is too rapid, demand falls and inventory accumulation ceases when purchasing agents reduce their commitments. A downward spiraling of new orders and total demand then occurs unless a drop in prices revives consumer demand.

A Sermon on Prudence

If this interpretation of the present state of business is correct, it is indeed regrettable that the great rise in prices which preceded the present recession took place. How could it have been stopped? I don't know the complete answer to that question. I could, however, give you a series of part answers, but to do so at the moment seems to be quite academic. Nevertheless, begging your patience, I should like to preach a short sermon on prudence.

It is quite easy to blame the monetary authorities for failure to pursue a vigorous policy designed to stop the increase in the money supply in the years 1946-1948. Likewise, it is quite easy to place the blame on failure to pursue courageous debt management and fiscal policies. It is also quite easy to blame the banks for failure to hold down bank loans even though most of them might have engaged in much greater bank credit expansion than was the case. Although I do not ask a withholding of a scornful finger pointed in these directions, it might fairly be asked: Did we not—the mass of individual consumers and producers — in our personal financial affairs place too big a burden on the monetary and fiscal authorities? Our failure to act with prudence in our individual affairs is not rightly to be blamed on the other fellow. I refer to anyone who bought a new "used" car at a high premium, especially the person who had a good old car. I refer to anyone who overextended himself in building a new implement shop or garage when the old shop would have sufficed for a while longer. I might even risk a reference to the congregation that built a new church in a period of boom. I refer to anyone who loaded himself with new personal debt. I refer to any kind of prodigality which results eventually in the return of the penitents, crying, "Uncle, Save Us!" If we needed more vigorous, more courageous, monetary policy and fiscal policy and better Federal debt management, we needed still more a greater measure of common, ordinary prudence in the handling of the personal financial affairs of millions of American families.

Decline in Spending

The economy is now experiencing a shock somewhat like that which must be experienced by a drug addict when he fails to get a continuous supply of the drug which, momentarily at least, exhilarates him. We must now adjust to a situation in which inventory accumulation and a greater money supply no longer exhilarates the economy. In other words, we must now operate on a "current" basis. Manufacturers who have been producing to meet the demands of current consumption **plus** the demands of merchants and others to fill up empty or half-filled shelves have now the one, albeit the less important, of these two sources of demand taken away from them.

Now that consumer spending has declined, a danger exists that unemployment will rise, causing a further decline in consumer spending and a further contraction of business investment expenditures. What shall we now do in order to prevent a whirlpool of contraction from replacing the previous whirlwind of expansion?

Reduce Prices, Cut Costs

The situation calls for a higher degree of business statesmanship than was displayed in the period of boom. It calls for two actions, namely, a reduction in prices and a cut in costs through an increase in productivity. This must be done before a great decline in employment and personal incomes develops. Tardiness in the reduction of prices reduces the effectiveness of price cuts. Tardiness in achieving greater efficiency makes the achievement of greater efficiency progressively more difficult.

The individual producer might say, "That is probably good theory, but I cannot reduce prices, because my costs are too high." Although one might be sympathetic with this point of view, the consequences of a failure to reduce prices must be given careful consideration. If prices are not reduced, consumption expenditures will fall, output will decrease, and profits will drop. It seems to me that profits will drop less from a reduction in prices than from a decline in output under rigidly high prices because greater efficiency or productivity is more likely to be realized under a higher than under a lower level of output. To be sure, this argument assumes that consumers' demand will respond to lower prices. One may admit that such response is not certain and yet contend that it is more certain that unemployed people with little or no income will not respond even to severe cuts in prices.

It is better for the economy and for business to reduce profits margins in order to maintain employment than to reduce employment in an effort to maintain unit profits margins. It would seem to me to be utterly wrong to keep prices rigidly high and to adjust output to an assumed lower demand, since that policy leads to an actual lower demand and further downward adjustments in output.

What is the outlook for increased efficiency in production? I think the outlook is good because raw material shortages and other bottlenecks have largely disappeared and labor efficiency should increase. Surely, greater productivity and a higher real income should be the objective of public policy.

The Alternative to Reduced Prices

The alternative to a reduction in prices as a means of stimulating consumption expenditures is a higher level of purchases of goods by the government, if a severe slump in business activity is to be avoided. Perhaps higher government expenditures will come about in any case, since the trend is in that direction. During the past four decades Federal government expenditures, as a percentage of gross national product, have increased from 2% to 17%. This percentage figure will, of course, become higher if private business investment expenditures should fall. If this trend is to be arrested, business investment expenditures and employment must not be allowed to fall. Neither policies adopted by business, nor policies imposed on business should contemplate, in a period of recession, a reduction of business investment expenditures nor a reduction in employment.

Summary of Strategic Factors

How might the strategic factors in the business outlook be summarized?

(1) The response of consumers to price reductions is probably the No. 1 strategic factor at present. If price reductions are not promptly made and the response to them is not prompt, cuts in purchase orders in all phases of production might precipitate a considerable decline in employment and a subsequent further decline in consumer demand. If total consumption expenditures rise or level off by reason of price reductions, the present period may be adjudged to be a readjustment of the economy to a "current" position after a restocking boom and a period wherein price disparities are corrected, instead of a depression.

(2) The degree of increase in productivity might also be considered a strategic factor. If greater efficiency can be achieved, losses to producers incident to price cuts will be minimized and the consumers' purchasing power will rise, both through lower prices and better quality merchandise. Conversely, an increase in production costs would make the economy sicker rather than healthier. Unless we should want to flood the economy with more new money as a means of sustaining consumption expenditures, nothing should be done to raise the unit costs of production.

(3) The degree of decline in business investment expenditures is another strategic factor. Widespread cancellations of plans for business expenditures on plant and equipment at this time would greatly weaken the economy. The rate of growth of business investment expenditures has always been a decisive factor in the course of the business cycle in the United States.

(4) Will the props which the government has built under the economy hold or buckle if a heavy weight should be placed on them? I refer to agricultural price supports, guarantees in residential housing, etc. We have all kinds of props or cushions in the economy which we did not have in 1930. A considerable segment of our economy is built on government guarantees. In the field of banking, the chief one is the support policy on Federal securities. The assumption that these supports and guarantees will cushion any decline in their respective segments of the economy must be assumed to be valid, although these supports may in some instances produce certain undesirable rigidities into the economy.

A very strong element in the outlook is the absence of weakness in the banking system as was the case in 1930 and in other years when recession was followed by deep depression. We, today, entertain not even a shadow of a doubt that the banking system is strong. Each individual commercial bank and the system of individual banks tied together by correspondent relationships and the Federal Reserve System stand as a bulwark of strength for both the immediate-term and long-term.

Although I regret that we as individuals and as a society of individuals have failed to act in past years in such manner as to assure ourselves of a stable high level of prosperity, I am confident that the long-term outlook for the economy, assuming a long period of peace, is good. We have in recent years acted in such manner as to make a period of readjustment or recession necessary. Thereafter, our business and financial institutions must and will serve to provide the people with a higher standard of living than we have ever before enjoyed. We cannot, however, as the Chairman of the Committee on Economic Development said recently, "leave stability to chance." "We must," he added, "develop enough wisdom and statesmanship on the economic level to preserve the economy as a free economy. It will require new attitudes and an unprecedented willingness to cooperate. But I am convinced that we can and will do it." (W. Walter Williams, quoted in "Commercial and Financial Chronicle," April 14, 1949, p. 37.)

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	May 8	97.3	97.5	98.8	91.0
Equivalent to—					
Steel ingots and castings (net tons)	May 8	1,793,700	1,797,400	1,821,400	1,640,300
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Apr. 23	4,915,950	4,911,600	5,130,450	5,415,400
Crude runs to stills—daily average (bbls.)	Apr. 23	†5,188,000	5,143,000	5,353,000	§5,517,000
Gasoline output (bbls.)	Apr. 23	17,595,000	16,919,000	17,417,000	§16,515,000
Kerosene output (bbls.)	Apr. 23	1,915,000	2,065,000	2,014,000	§2,452,000
Gas oil and distillate fuel oil output (bbls.	Apr. 23	6,087,000	5,983,000	6,167,000	§6,831,000
Residual fuel oil output (bbls.)	Apr. 23	8,246,000	8,282,000	8,305,000	§8,877,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines —					
Finished and unfinished gasoline (bbls.) at	Apr. 23	124,749,000	125,922,000	128,087,000	§111,128,000
Kerosene (bbls.) at	Apr. 23	18,361,000	18,187,000	17,700,000	§12,481,000
Gas oil and distillate fuel oil (bbls.) at	Apr. 23	49,643,000	49,169,000	48,721,000	§34,237,000
Residual fuel oil (bbls.) at	Apr. 23	60,207,000	*60,030,000	58,792,000	§49,572,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 23	769,336	765,890	596,329	851,926
Revenue freight received from connections (number of cars)	Apr. 23	618,763	625,074	551,409	700,279
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 28	$145,936,000	$107,322,000	$132,174,000	$183,253,000
Private construction	Apr. 28	59,077,000	50,398,000	85,088,000	68,849,000
Public construction	Apr. 28	86,859,000	56,924,000	47,086,000	114,404,000
State and municipal	Apr. 28	71,465,000	51,125,000	39,331,000	66,553,000
Federal	Apr. 28	15,394,000	5,799,000	7,755,000	47,851,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 23	11,355,000	11,450,000	2,415,000	11,714,000
Pennsylvania anthracite (tons)	Apr. 23	802,000	824,000	107,000	1,162,000
Beehive coke (tons)	Apr. 23	145,900	*136,000	38,800	63,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Apr. 23	267	*314	277	296
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 30	5,303,841	5,325,513	5,377,662	5,042,352
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Apr. 28	204	198	216	106
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 26	3.74887c	3.74887c	3.75197c	3.28244c
Pig iron (per gross ton)	Apr. 26	$46.57	$46.57	$46.82	$40.11
Scrap steel (per gross ton)	Apr. 26	$22.92	$22.75	$31.17	$40.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 27	19.700c	21.200c	23.200c	21.200c
Export refinery at	Apr. 27	19.925c	21.425c	23.425c	21.550c
Straits tin (New York) at	Apr. 27	103.000c	103.000c	103.000c	94.000c
Lead (New York) at	Apr. 27	15.000c	15.000c	18.000c	17.500c
Lead (St. Louis) at	Apr. 27	14.800c	14.800c	17.800c	17.300c
Zinc (East St. Louis) at	Apr. 27	13.000c	13.000c	16.000c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 3	101.62	101.65	101.70	100.84
Average corporate	May 3	113.12	113.12	113.12	112.37
Aaa	May 3	118.80	119.00	119.00	117.60
Aa	May 3	117.20	117.00	117.20	115.63
A	May 3	112.19	112.19	112.37	111.81
Baa	May 3	105.00	105.00	104.83	105.34
Railroad Group	May 3	108.16	108.16	108.16	107.44
Public Utilities Group	May 3	114.08	114.08	114.08	113.70
Industrials Group	May 3	117.40	117.20	117.60	116.22
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 3	2.38	2.38	2.38	2.44
Average corporate	May 3	3.00	3.00	3.00	3.04
Aaa	May 3	2.71	2.70	2.69	2.77
Aa	May 3	2.79	2.80	2.79	2.87
A	May 3	3.05	3.05	3.04	3.07
Baa	May 3	3.45	3.45	3.46	3.43
Railroad Group	May 3	3.27	3.27	3.27	3.31
Public Utilities Group	May 3	2.95	2.95	2.95	2.97
Industrials Group	May 3	2.78	2.79	2.77	2.84
MOODY'S COMMODITY INDEX	May 3	344.3	344.6	363.6	415.4
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Apr. 30	215.2	216.4	218.0	235.4
Fats and oils	Apr. 30	149.1	146.2	145.6	269.7
Farm products	Apr. 30	225.0	227.8	234.7	254.4
Cotton	Apr. 30	310.1	315.7	310.9	358.9
Grains	Apr. 30	200.9	203.2	205.6	264.4
Livestock	Apr. 30	218.2	220.4	232.2	237.9
Fuels	Apr. 30	222.6	222.6	231.8	228.6
Miscellaneous commodities	Apr. 30	165.2	167.6	166.2	175.2
Textiles	Apr. 30	188.0	189.1	189.8	214.6
Metals	Apr. 30	179.7	180.2	186.0	164.9
Building materials	Apr. 30	213.5	213.5	216.5	227.3
Chemicals and drugs	Apr. 30	137.6	139.4	137.9	155.8
Fertilizer materials	Apr. 30	142.9	142.9	142.8	136.3
Fertilizers	Apr. 30	150.5	150.5	150.5	143.7
Farm machinery	Apr. 30	153.1	153.1	155.6	138.9
All groups combined	Apr. 30	203.4	204.8	209.0	219.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 23	156,946	144,710	149,388	181,068
Production (tons)	Apr. 23	159,884	165,853	170,643	190,294
Percentage of activity	Apr. 23	77	80	80	102
Unfilled orders (tons) at	Apr. 23	268,820	276,572	242,374	393,044
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Apr. 29	133.0	132.7	135.0	145.6
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Apr. 26	156.1	156.9	158.1	163.5
Farm products	Apr. 26	169.4	171.1	170.8	188.0
Foods	Apr. 26	162.9	163.4	162.9	178.0
All commodities other than farm and foods	Apr. 26	147.9	148.4	150.7	149.0
Textile products	Apr. 26	139.3	139.3	141.6	150.5
Fuel and lighting materials	Apr. 26	131.5	131.5	134.4	132.0
Metals and metal products	Apr. 26	170.5	171.5	174.6	157.6
Building materials	Apr. 26	196.5	196.5	199.7	195.9
All other	Apr. 26	129.8	130.7	131.3	135.7
Special indexes—					
Grains	Apr. 26	162.6	163.2	161.7	211.9
Livestock	Apr. 26	194.9	203.6	211.2	221.6
Meats	Apr. 26	222.3	224.1	224.7	256.9
Hides and skins	Apr. 26	184.8	186.9	185.2	200.1

*Revised figure. †Includes 328,000 barrels of foreign crude runs. §Not comparable with other periods which are on new basis of reporting in California. Principal changes exclude cracking stock from distillate and residual fuel oils.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of March:			
Total gas (M therms)	3,295,609	3,517,414	3,124,745
Natural gas sales (M therms)	2,948,987	3,160,406	2,731,091
Manufactured gas sales (M therms)	227,127	231,728	247,514
Mixed gas sales (M therms)	119,495	125,280	146,140
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of March (in millions):			
Total new construction	$1,195	*$1,092	$1,166
Private construction	881	*838	940
Residential building (nonfarm)	400	*375	475
Nonresidential building (nonfarm)	266	*277	266
Industrial	96	*104	120
Commercial	83	84	88
Warehouses, office and loft buildings	30	33	22
Stores, restaurants and garages	53	51	66
Other nonresidential buildings	87	89	58
Religious	24	25	13
Educational	20	21	15
Hospital and Institutional	11	11	9
Remaining types	32	32	21
Farm construction	18	10	23
Public utilities	197	176	176
Railroad	25	29	23
Telephone and telegraph	57	46	54
Other public utilities	115	110	99
Public construction	314	*254	226
Residential building	5	4	5
Nonresidential building (other than military or naval facilities)	117	104	65
Industrial	1	---	1
Educational	64	60	36
Hospital and institutional	29	25	10
All other nonresidential	23	19	18
Military and naval facilities	9	7	12
Highways	70	*52	57
Sewer and water	42	36	33
Miscellaneous public service enterprises	8	5	9
Conservation and development	43	36	36
All other public	14	10	9
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES—			
Lint—Consumed month of March	720,892	640,182	879,967
In consuming establishments as of Mar. 31	1,559,265	1,617,962	2,287,552
In public storage as of March 31	6,615,516	7,500,407	3,675,090
Linters—Consumed month of March	134,063	119,007	103,760
In consuming establishments as of Mar. 31	358,957	373,735	294,627
In public storage as of March 31	112,730	87,664	64,126
Cotton spindles active as of March 31	20,425,000	20,758,000	21,711,000
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of February (000's omitted)	21,142,721	21,830,832	19,903,528
Revenue from ultimate customers—month of February	$389,526,800	$398,486,500	$357,942,100
Number of ultimate customers at Feb. 28	41,029,007	40,870,573	38,747,518
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—Month of February:			
All manufacturing	12,552,000	*12,670,000	13,066,000
Durable goods	6,416,000	*6,522,000	6,711,000
Nondurable goods	6,136,000	6,148,000	6,355,000
Employment indexes—			
All manufacturing	153.2	154.7	159.5
Durable goods	177.7	*180.6	185.8
Nondurable goods	133.9	134.2	138.7
Payroll indexes—			
All manufacturing	357.9	*363.0	354.1
Durable goods	403.2	*412.6	393.1
Nondurable goods	313.6	*314.5	316.0
Estimated number of employees in manufacturing industries—			
All manufacturing	15,756,000	*15,890,000	16,183,000
Durable goods	7,891,000	*8,005,000	8,167,000
Nondurable goods	7,865,000	*7,885,000	8,016,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of March:			
Earnings—			
All manufacturing	$53.37	$54.25	$52.07
Durable goods	57.02	*58.32	55.36
Nondurable goods	49.63	*50.01	48.58
Hours—			
All manufacturing	38.9	39.4	40.3
Durable goods	39.3	*40.0	40.8
Nondurable goods	38.5	*38.8	39.8
Hourly earnings—			
All manufacturing	$1.372	$1.377	$1.291
Durable goods	1.451	1.458	1.359
Nondurable goods	1.289	*1.289	1.219
GRAY IRON CASTINGS (DEPT. OF COMMERCE)—Month of February:			
Shipments (short tons)	986,591	1,040,343	1,024,450
For sale (short tons)	535,163	573,164	571,406
For producers' own use (short tons)	451,428	467,179	453,044
Unfilled orders for sale at end of month (short tons)	1,857,403	2,064,861	2,769,408
METAL OUTPUT (BUREAU OF MINES)—Month of February:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	57,310	*50,403	68,943
Gold (in fine ounces)	116,316	*117,740	148,544
Lead (in short tons)	33,355	*33,761	32,399
Silver (in fine ounces)	2,868,142	*2,642,653	3,013,918
Zinc (in short tons)	53,332	*52,036	48,241
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOC.)—Month of March:			
Total number of vehicles	518,118	426,665	492,034
Number of passenger cars	402,402	324,547	349,998
Number of motor trucks	115,171	101,700	140,606
Number of motor coaches	545	418	1,430
PORTLAND CEMENT (BUREAU OF MINES)—Month of February:			
Production (bbls.)	13,751,000	15,261,000	13,347,000
Shipments from mills (bbls.)	9,134,000	8,756,000	8,338,000
Stocks (at end of month) (bbls.)	22,208,000	*17,591,000	20,340,000
Capacity used	73%	73%	70%
STEEL CASTINGS (DEPT. OF COMMERCE)—Month of February:			
Shipments (short tons)	135,042	140,577	142,434
For sale (short tons)	99,425	103,503	107,762
For producers' own use (short tons)	35,617	37,074	34,672
Unfilled orders for sale at end of month (short tons)	320,202	338,889	497,097
TRUCK TRAILERS (DEPT. OF COMMERCE)—Month of February:			
Production (number of units)	2,230	2,766	3,474
Shipments (number of units)	2,375	2,566	3,764
Shipments (value in dollars)	$8,056,413	$8,983,900	$11,258,867

*Revised figure.

Dangerous Trends

(Continued from page 6)

erally to be authorized to buy common stocks or purchase equity interests in real property more broadly. Extensive departures from previous investment practice have already been made. This has come about in two ways: through the purchase of real property from business interests and the leasing back of these properties to their former owners, and through construction for their own account for similar purposes. They are in the residential construction field for their own account. The latter, in some instances has been embarked upon pursuant to special legislation granting long-term tax concessions.

This problem, which received some attention in the prewar period, is being turned over intensively in the minds of economists and thoughtful insurance company executives. It is only fair for me to add that executives of some of the largest life companies remain firm in their opposition to expanding the authority of life insurance companies to buy equities, whether they be preferred or common stocks.

Simply to avoid misunderstanding, may I emphasize that the very thought of regulation by the Federal Government of the life insurance industry is abhorrent to me. But if I were a responsible official of a life insurance company, I would, on my own initiative, want to see a most searching analysis of every phase of the functions and operations of insurance companies. The flow and function of savings as they affect the capital markets generally urgently require reexamination, in my opinion.

Private Debt Expanding Too Much

3. There is too much debt and too much complacency about the rate at which private debt is expanding. All forms of net private debt (individual and corporate) amounted to $145 billion at the end of 1945, and at the end of last year it is estimated the aggregate of private debt had risen to approximately $190 billion, probably the most rapid expansion in economic history. In 1948, corporations supplied $10.4 billion of their needed funds externally, i.e., aside from funds retained from operations. Out of this sum only about $1 billion or 10% was derived from the sale of stocks, both preferred and common. Our complacency derives from the unparalleled internal source of funds, principally retained earnings, which have been at a rate—partly because of fictitious inventory profits—that obviously cannot be maintained.

When profits turn down, it is the debt-burdened company that is the first to cut production, lay off employees and undercut prices to gain cash. Economists have long recognized that debt accentuates the downward spiral. Let us not forget one of the lessons of the thirties, and at least prove we can learn from the past. Debt adds to the inflexibility of the economic structure. Debt has a habit of becoming due when companies are least able to meet their obligations. Sinking fund payments that seem light enough in prosperous times can be very troublesome when earnings contract and cash is depleted, and the very existence of old debt makes it difficult to obtain funds. Through a policy of low interest rates, through the practice of permitting interest on debt to be charged as an expense of operation before arriving at net income, and heavy taxes on earnings, we have encouraged getting into debt, and all of this comes on top of the institutional developments which have already created tendencies promoting the increase of debt and sheltered funds. I support the policy of retirement of Federal Government debt in a period of prosperity and high revenues but not at the price of large-scale increase in private debt.

Difficulties in Raising Equity Capital

4. The difficulty of raising equity capital today, reflected in the high price that must be paid for it, results from a number of developments of the past two decades. The growing desire of the average individual for security rather than risk and the seemingly more difficult task of entering into competition have been important. I believe, however, that tax impediments strewn in the path of risk takers have been the most significant reason for the failure of capital to perform its traditional function effectively.

It would be pleasant if we were in a position to make substantial reductions in all Federal taxes and thus have a ready solution to the problem. However, our heavy national debt, the continuing drain of pensions and other payments resulting from the recent wars, and our responsibilities in the world today make large tax cuts impossible at present. That is not to say we cannot correct certain features of our tax system that bear most heavily on equity financing, and, in fact, the prospect of a continued high level of taxation makes it imperative that we do correct them if we are to avoid economic stagnation.

Two features of the present tax structure that do most to discourage venture capital are the double taxation of distributed corporate earnings and the treatment of capital gains and losses.

When earnings generated by corporate enterprise are taxed twice at high rates, even large profits made by the business are so whittled down that the income ultimately retained by stockholders is little more than they could have realized by investing an equivalent amount of money in, let us say, a risk-free, tax-exempt bond. Since the corporation is the only device adequate for raising the vast amounts of capital needed in many lines of enterprise today, these taxes discriminate against the owners of corporations and stifle growth and progress in whole sectors of industry. In order to alleviate the situation as soon and as simply as possible, some tax credit for dividend income should be given at the personal level. A credit of this sort would cost less in revenue than is frequently assumed and the cost would be more than justified by the benefit to the economy. If a tax credit stimulated dividend distributions, it might even result in increased revenue to the government.

Capital Gains Taxes a Deterrent

Our present capital gains tax acts as a deterrent to risk taking. A prospective risk taker is acutely conscious of the fact that if his venture succeeds a sizable share of any appreciation in the value of his investment will be taken in taxes when he sells his holdings; on the other side, if he suffers a loss he is allowed only a limited offset against other income. No system could be better devised to discourage risk taking at a time when confiscatory personal income taxes are a real burden. In order to correct the situation, the government's "take" out of potential profits should be decreased. A move in this direction would stimulate the flow of venture capital by making all investment opportunities more attractive than they are under present capital gains tax rates. Furthermore, there is a need to increase the amount by which losses can be offset against ordinary income. Existing provisions, written into the law in 1942, welcome as they then were, are insufficient in view of the present inflated price level to give much protection to even the relatively small investor. These suggested revisions in capital gains taxes would contribute to the stability and orderliness of markets and would probably result in increased Federal revenues. Capital gains are not like ordinary income since they are realized only at the option of the taxpayer. A tax rate so high that it discourages realization of capital gains robs the Treasury of potential revenue.

The tax structure is geared so that, in the words of Professor David McCord Wright, in his stimulating book, "Democracy and Progress," "The result is frequently a policy for those 'already there' — a policy which helps monopoly and increases social stratification.

"Most people, when they think at all about the reasoning behind progressive income taxes, suppose that if a man is making a large income he has a large fortune."

And again:

"Profits must be at the least proportional to risk, and risk is subjective rather than objective. Furthermore, the off chance, the one-in-a-hundred possibility, of supernormal profit is among the great impelling forces of investment. History shows that the extraordinary returns on investment rarely survive longer than a generation, and that labor's average real wages have persistently risen with the rise of the national income. The share of 'capital', in the long run, has been remarkably constant."

I have spoken in behalf of the little fellow in and out of business more than in behalf of established wealth and bigness. I have spoken in the interest of ownership and risk capital—on which debt must rest—and which is the mainspring of the activities which generate taxes.

Exploration of Point Four

Tremendous national and international issues hang in the balance. How to rate them in order of importance no two persons would agree, and as time goes on they seem to become more and more intertwined. I have watched with interest exploration of Point Four, the bold new plan outlined in very general terms in the President's Inaugural Address. Under certain conditions, its possibilities challenge the imagination. Venture capital admittedly is the crying need of undeveloped and so-called backward areas. Will these areas forget the harsh terms they only recently have used in speaking of foreign investors? Surely, the history of international investment shows the investor is more often sinned against than he has sinned. Investors as well as others are entitled to a fair deal. And that applies to investors at home as well as abroad. I suggest Point Five—a fair deal for the investor, not the widow and orphan alone, but for all who risk their savings. This, I submit, is not just a figure of speech. If participations in sound domestic enterprise go begging, on what terms can foreign countries entice American capital, the most desirable form, according to all the experts, being ownership or equity interests?

The responsibility of legislators who are called upon to levy taxes on the order of $40 billion or more annually is grave. Leadership summoned forth by these responsibilities is not the sole possession of any one party.

The Congress met the challenge of the war in the area of fiscal policy when it enacted the Revenue Act of 1942— a highly constructive measure.

Again, with the close of the war, and faced with the transition to peacetime pursuits, the Congress passed the Revenue Act of 1945 — repealing the Excess-Profits Tax. This measure was largely responsible for the ensuing period of prosperity.

More recently, despite stubborn opposition, the Congress again anticipated the need for increased consumer purchasing power and increased savings, and enacted the Revenue Act of 1948. An injustice to the middle class was partially corrected in the adoption of the community property principle.

This is another year of changing economic conditions. The challenge is equally strong. Must we unbalance the budget in the interest of revolutionary social progress, or will leadership demand individual sacrifice to meet the nation's defense and foreign needs? Does business have to decline and unemployment increase because of a lack of confidence in business quarters, and among those able and willing to save?

The next Revenue Act, and I bow to the will of the Congress, must revitalize venture capital for the job that is ahead, both at home and abroad. I am firmly convinced that equal courage to face the facts and act accordingly could assure a prolonged period of economic stability. To repeat: Venture capital is the mainspring of a dynamic economy. In the interest of production and jobs, we must have a resurgence of venture capital and restore its effective functioning.

Socialization and Free Markets

(Continued from page 17)

trading after these many years of continuous growth have been amended from time to time, but have been stabilized to meet the needs of the various parties immediately concerned in grain marketing; namely, hedgers, speculators, cash grain interests, warehouse interests, bakers, as well as exporters and importers and credit interests. It would, indeed, be a calamity if through governmental operations anything should happen to endanger a marketing system that has served so many millions of people so successfully.

The grain trade's credit has been mobilized and safeguarded to a very high degree of business efficiency. For this reason the banks have always loaned almost the full amount of value of the warehouse receipts.

The Chicago Board of Trade celebrated its 101st anniversary this month, having started operations in the year 1848. That was at a time when revolutions took place all over Europe, starting in Germany, and then spreading to all neighboring countries. The uprisings followed a very short crop which resulted in a famine, and it was generally believed at that time that Europe could no longer produce sufficient quantities of breadstuffs to sustain its people. This, of course, was before the United States had become an important factor in supplying European and Asiatic nations. There was tremendous tension in many of these European nations. If you remember your history, you probably recall that Emperor William II of Germany had to flee to England for a time. He returned about three months later, but was compelled to make numerous food concessions to his people. We in this country do not realize what it is to be faced with any food shortage or with a famine. We have been fortunate in that we were not only able to produce enough to take care of ourselves, but even from the early pioneer days, we had some excess that could be shipped abroad. This, of course, all helped to make us a great commercial nation, and our agriculture increased simultaneously with the growth of our railroads, and one would have been impossible without the other.

Until 1929 there was never any government interference and very few controls. There were no subsidies paid to the farmer, and while he was left entirely to his own resources, I believe in the main he did very well for himself. It is true, we had agricultural depressions in the past; for example, in 1894 wheat values declined sharply to about 45 cents per bushel—a ruinous price for the farmer, although he did not suffer any more than wheat farmers in other parts of the world. As a result, land was neglected, acreages were reduced and gradually the accumulated stocks decreased. Nevertheless, prices for a long time did not recover much above 60 cents a bushel, and then followed the short crop of 1897 on a small acreage. September wheat, which at the start of the season sold at 62 cents a bushel, was followed by an advance to $1.75 the following spring. From that time on, until the first world war, or for a period of 16 years, price levels were entirely satisfactory to producers; in fact, to such an extent, that acreages were continually increased, and our export markets improved. Surely this would not have been the case had farmers not been able to produce profitably, and we must, therefore, conclude that raising wheat brought them satisfactory returns.

When most people think of grains they have wheat in mind, and it is a generally accepted idea that the size of the wheat crop and its value is more important than corn to the prosperity of our country. This is only partially true. Wheat is more important to the world than corn, as it is raised in every country, and in virtually every climate. It is produced in the northern countries of Norway and Sweden; it comes from the southern countries of Italy, France, and Morocco, and it flourishes throughout central Europe. Siberia, which one pictures as a region of constant and unremitting cold and freezing temperatures, is now a large producer of wheat. India raises about one-third as much as does the United States. Australia is a tremendous competitor of ours, and with only about 8 million inhabitants, very often exports more than we do. Canada, despite her short summers, very often exports more wheat than any other country, and she does this with only 12 million population. When there were normal markets, she was one of the geratest influence in shaping values.

United States Preeminent

As far as the United States is concerned, she is preeminent among the nations of the world as a producer of corn, as three-fifths of all the corn grown springs from our soil. On the other hand, we furnish about one-sixth of the total world supply of wheat. During the last five years, we have raised billion-bushel wheat crops, and at $2.25 per bushel, this would bring $2¼ billion. Last summer, we raised a 3½ billion bushel corn crop, on the second smallest acreage in 50 years. Assuming that the farmer netted only $1.30 per bushel, it would have brought him approximately $4½ billion or twice as much as wheat. Of course, it must be taken into account that 85% of the corn never leaves the county in which it is raised, because it is fed so

(Continued on page 42)

Socialization and Free Markets

(Continued from page 41)

largely to livestock. It is the comparatively small percentage which moves to market and makes the price. The total of farmers' investments in livestock in this country is tremendous. As an illustration, let me point out that the hog population of 80 million, means more than half a hog to each person in this country, and notwithstanding the great number of automobiles and tractors in use, there is still one horse or mule to every fifteen persons. Besides, there are the dairy and breeding herds, cattle on feed, etc. All these animals must be fed, and one of their chief feeds is corn. Yet we have, in spite of this great domestic usage, often been a large exporter of corn, and even during the present crop season may ship over a 100,000,000 bushels abroad.

It is worth noting that during the last crop season, we exported more wheat than any nation in the world ever shipped in a similar period. Even with our population increasing at the rate of about 2,000,000 per year, we were able to furnish more grain for hungry mouths in foreign lands than ever before in our national history. It looks very much as though in the present crop year soon coming to a close that we will have again shipped about 500,000,000 bushels of wheat and flour, which is practically as much as is consumed at home by every man, woman, and child. It is, likewise, equal to the combined production of Argentina and Australia—two of our greatest competitors in normal times. Looking at it in another way, it is about five times the average annual shipments during the period 1930-47. All this would probably not have been possible without adequate markets, which have performed an indispensable public service to the people of this nation.

The marketing machinery thus built up over these many years has given confidence to the farmer to raise the ever-increasing crops to feed our vast population. Likewise, the constant stream of grain to market has assured the consumer of his ability to obtain his daily bread. It is significant that the grain exchanges of the country have always kept pace with American agriculture. A free market is an expression of the ideals of democracy, which has made America great.

For generations we in this land have prospered under a system of free speech and free enterprise. The founding fathers envisaged individual freedom and opportunity with justice and liberty for all. In their endeavor to provide it, for this new country, they sought in every way and by every possible safeguard to rid themselves of the Old World systems, traditions, hates and intrigue. What a priceless heritage we have received.

It was never considered a sin to make money, nor to practice thrift. But of recent years, much of this philosophy has changed, and gradually step by step, limited or controlled prices have taken the place of our former free and competitive markets. The amount of profit an individual may make, or the amount of income he may keep has been set and controlled by government. And thus the individual is deprived of the competitive urge to make more things, to earn more profits, or to have more money. In other words, we have controlled initiative. During the early 30's, we inaugurated a completely new program for this country, of controlling farm production and prices. Thus, competition in that field was taken away from agriculture, and we are gradually witnessing a trend toward socialism, which may lead to complete regimentation, certainly distasteful to farmers, who have always been masters of their own destiny. Before long, I am fearful that every farmer in the land will be told what he may plant, and how much he may market. However, limiting our output of needed commodities and services inevitably makes us poorer, not richer. Whatever may seem to be its short-term advantages, in particular instances, the long-run effect is detrimental.

The Function of Risk

Before the advent of the grain exchange, when the marketing of wheat was more a local affair, the risk of the market was assumed by the merchants and millers who bought the wheat. Necessarily, the risk entered into their contemplation in determining the price and justified handling margins which would protect them against loss. As transportation and communication developed, large areas turned to the raising of surplus wheat, so that markets had to be found far distant from the source of production. The number of factors entering into price determination then became infinitely greater, and while the marketing opportunities were greatly expanded, the risk of price changes became correspondingly greater. As the volume of these transactions increased, merchants sought to shift the risk of price changes as much as possible by forward sales, and out of this commercial necessity the futures market evolved.

The development of the futures market, with its intense organization and high efficiency, not only expedited the process of forward selling, but brought into the field a new class of trader, who was willing to specialize in the taking of price risks, and in the course of time the widespread commercial practice of hedging developed, by which holders of grain passed the risk on to this professional class, who might more properly be described as "risk bearers," rather than "speculators."

In recent weeks the trade has become somewhat concerned that our export outlets would finally diminish, particularly when European agriculture returned to a more normal status. This has occasioned rather severe liquidation in markets, so that for a time at least government supports were not at all effective.

It has already been demonstrated that when non-recourse loans were unrealistic or too high that ownership of commodities finally passed to the government by default. For example, in 1941 and 1942 there was about 400,000,000 bu. of wheat pledged each season under loans, and the accumulations were so great that I am convinced only war prevented a very serious situation at that time. Chances are that the defaults this year will be 200 million bushels or more, because prices were not sufficiently high in all cases to permit farmers to redeem their wheat loans. Possibly fearful that this might become an untenable program if surpluses continue to pile up, the Department of Agriculture has become perturbed, and they are at present discussing a direct subsidy to the farmer, although for the present basic commodities have not been included. In Congress, there is some opposition to trying to make contributions to both consumers and producers, with the taxpayers standing in-between taking the brunt of the punishment. The Brannan Farm Plan has been characterized as "All things to all people." It is apparently an adroit appeal to all groups, both urban consumers and American farmers, which promises cheap milk to the city housewife, while the farmer would obtain an assured income geared to the recent profitable war years, although all of this would be paid for by an undetermined subsidy out of the taxpayer's pocket. Whether the old parity price support formula would be entirely scrapped, is still a matter of conjecture. For the time being I believe that wheat and corn would continue more or less under the old program, possibly for the reason that a subsidy might prove very costly if these commodities were permitted to sell at the world's level. In that case, the Aiken Act would become effective in 1950, providing a somewhat lower basis for loans than we have had in recent years. However, in view of diminishing demands from Europe, and the uncertainties of government planning, one cannot make too many predictions at this time.

Grave Task and Responsibility

Those who are charged with the responsibility of establishing national policies and programs have a grave task under present conditions. We should never lose sight of the fact that private enterprise involves the risk of loss, as well as the possibility of gain; risks may be reduced, but they cannot be entirely eliminated. If security had been the dominating force early in our history, there would have been no economic progress. As it was, however, every step in our forward march was marked by risk-taking. We appreciate this all the more at a time when economic lights in many parts of the world have been dimmed, and markets have been closed by government edict. It is no longer an easy matter to know what the intrinsic worth of wheat is in countries such as Canada, Argentina, or Britain, where formerly they, too, had organized exchanges for handling of their agricultural products. It is important for any nation to have free, open, and competitive markets, and toward this end I have always fought with all my heart. When a free market is allowed to do the job, all consumers and all producers are immediately given an equal right to the economic vote. When it is displaced, they are disfranchised, and the power of decision is vested in one person, or in a committee of persons whose judgment is likely to differ from that of the people. We in this country enjoy a great heritage—let us never forget it—it is worth fighting for, and it must be preserved at all costs.

Urges Harmony and Collaboration In the Securities Industry

(Continued from page 8)

free of the distortions caused by irrational prejudices and animosities. That possibility is still substantially impeded by the widely prevalent feeling that "the government" is something aloof and inimical to the individual interests of individual citizens. That attitude I especially deplore. Perhaps in due time it will be wholly dispelled.

The fact is, we are really very human individuals who have constantly to make very specific decisions about very specific problems. In doing so we have to keep in mind the interests of a great many very human individual people. Almost invariably those interests conflict. It is impossible completely to please everybody. And when the rights or interests of some override, in our judgment, the rights or interests of others on some particular point, then it is that this fictional entity "the government" is blamed by the losers, frequently not because it made an allegedly wrong choice of alternatives, but blamed as an oppressive impersonal and dictatorial force.

I hope personally that the technique we have tried to follow at the Commission of adjusting the affairs of the securities industry to the requirements of the securities acts through collaborative exploration of feasible and practical courses of action can be developed to a point of far greater effectiveness than we have yet developed it. I hope that practice may lead to a much more general appreciation of common problems between those who administer the laws and those to whom the laws apply than has yet been achieved.

What SEC Has Achieved

I think that those who have dealt directly with the Commission have achieved that sort of understanding to a large extent. I am not sure that to the same extent the members of your industry appreciate that our staff, too, is an aggregate of reasonable individuals. I hope that opportunities for more frequent contact and for common consideration of common problems may go far to correct that disparity.

In urging upon you this idea of closer understanding between the industry and the Commission, I do not want to be understood as disparaging the collaboration we have already received. We have benefited from it tremendously. I think you will find, if you review some of the things that have occurred under the securities acts, that there is tangible evidence of its effect in the progressive simplification of forms and procedures and increased simplicity in the processes of complying with the law.

What I particularly want to impress upon you is the thought that there is much more room for that sort of collaboration than has yet been realized. You are at least as keenly aware as those of us on the Commission that the securities industry has serious problems. Some of the factors that create those problems are beyond our jurisdiction. Some are your problems alone, to figure out better ways of doing your job under the changed conditions that have evolved in recent years. But there are many problems within the scope of the present or potential regulation of the Commission which demand consideration and disposition. It is in these fields that it seems to me a widening understanding and a broader exchange of information and ideas could be tremendously useful.

Securities Trading an Economic Essential

There is no point in discussing here the economic justification of the distribution and trading of securities. We would all agree that those functions are basic and essential to the effective operation of our system of enterprise. You and the Commission have a common interest in increasing the effectiveness with which those functions are performed. We are concerned, as you are, that the securities markets shall serve with the utmost efficiency as a medium for gathering capital for sound enterprises when such enterprises need money to carry on their operations. We are concerned, as you are, that the securities markets shall operate to enable individual interests in such enterprise to be freely and fairly exchanged between those who acquire them on the initial distribution and others who want to acquire them later. We are concerned, too, but no more directly concerned than you are, that public confidence in those markets shall be maintained and constantly strengthened. And for that reason we are concerned, and if you are not concerned you certainly ought to be, that transactions in those markets shall be as free as possible from fraud and manipulation and other rackets which impair that confidence. We are responsible to see to it that participants in the market shall have access to information they need to have to make informed decisions—decisions likely to enable them to continue, as customers of yours, to participate in the financing of American enterprise. I should assume that you would be concerned with that, too, if you plan to continue making your living out of this business.

Perhaps I can best illustrate my point by a story about the wife of the sheep rancher from Montana who was visiting some friends up in Wisconsin and was taken to see a mink farm. She was very much interested in the whole operation and asked a lot of questions. Finally she said to the man: "And how often do you take their fur?" He looked at her a long time to recover his composure and finally said: "Well, usually we take it just once, because after we skin them the first time they get sort of nervous."

Existing Laws Not Perfect

It is as fully evident, I think, to us as it is to you that the existing laws are not perfect and that disparities exist in the impact and effect of the regulations they prescribe that would benefit from change and improvement.

On some of these questions, particularly in the study we have given recently to the possibilities of improving the registration and prospectus provisions of the 1933 Act, we have had the most conscientious and helpful collaboration from your representatives. The problem itself, whatever its relative importance, is an extremely intricate and difficult one. As a result of the meticulous study and analysis of the questions involved that have been carried out jointly between us I think we are much more likely now to come up with effective and practical suggestions for improvement than would have been possible two or three years ago, or even a few months ago. Whether we will arrive at a universally acceptable recommendation it is impossible to foretell. But I think we know the difficulties and the possible ways of dealing with them far better than we could possibly have known them if we had worked separately rather than together.

Other provisions of other acts merit careful consideration, too. We shall welcome your ideas on those as well, when the time comes to give them specific consideration.

Discordant Relations Inside the Industry

One other point which I should like to mention before I close is concerned not so much with relations between the securities industry and the Commission as it is with relations inside the industry itself. Your business has numerous distinct and diverse divisions of function. Consequently there are numerous divisions of interest within the industry itself. To some extent these interests are genuinely competitive. To that extent they are doubtless healthy conflicts. But it is very easy for such differences to be magnified into antagonisms that exceed any real relation to the factual background. It has seemed to me at times that there is at least as much

need for increased interchange of views and composition of differences within your business as there is between the securities industry generally and the Commission. You might well consider whether in actuality your ultimate interests are as far apart as you sometimes make them seem from the interests of those whose functions in the industry and methods of operation differ from yours. It has seemed plainly evident to us on the Commission that some of the divisions among you seriously hamper, if they don't entirely prevent, your objective consideration of proposals under discussion with us. Antagonisms arise that cause aberrations in perspective wholly unrelated to the merits of the proposals under discussion.

This sort of thing has numerous manifestations. One example is the diversity of approach within the industry to the Commission's proposal that Congress extend to large companies not listed on Exchanges the provisions of the 1934 Act affecting annual reports, proxy regulations and insider trading.

We have yet to hear objections to that proposal which attack on the merits the basic premise that investors in such securities should have available the kinds of information the suggested amendments would make available to them. Nor is it suggested that they get those protections without the proposed amendments. They don't. The industry's objections to these proposals have rested wholly on competitive relationships within the business itself. The questions raised, aside from a few comments based on a general antipathy against regulation of any kind, have been founded in concern lest the result of the proposal would be to diminish some fortuitous special advantages which derive directly from the disparity in regulation that exists under the law as it now stands.

It has not seemed to me that any of the questions raised are in any sense insoluble. But achievement of the best solution is going to require more mutual accommodation within the industry than has been evident up to this time and a greater degree of candid consultation within the industry than apparently has thus far taken place. These questions will be resolved one of these days, one way or another. I should think it would be preferable to work them out intelligently and fairly on an amicable basis rather than to have a solution born of bitter controversy imposed by arbitrary mandate.

I point to this merely as an example of the sort of thing that would benefit from the development of a closer community of viewpoint within your business and from a common appreciation of the fact that fundamentally you are all engaged in carrying out, in various ways, parts of an overall function that is essential to the continued well-being of our economy. You know that your industry has serious problems. You have new conditions to cope with and a broadened potential clientele from which much of your new business will derive. You know that many things occur that run counter to the interests of the public investors from whose patronage your continuing business must come. I should think there would be great advantage to you in working constantly with us and among yourselves to devise simpler and more effective methods than now exist for minimizing the kinds of practices which in the long run can do your business nothing but harm by impairing the public confidence which is the basic ingredient of the merchandise you have to sell.

No Stabilization at Wartime Inflated Prices

(Continued from page 5)

to clarify the new long-term price pattern for them.

Attempting to Stabilize at Inflation Level

The Conference Board has just reissued a chart of the course of consumers' and wholesale prices since 1800 which tells the long-term price story more graphically than any word picture. Even after the most recent price corrections, both price indexes remain in the stratosphere. We are attempting currently to stabilize our economy at a price level that is higher than the zenith of any past inflation this country has ever known. No nation in the world, to my knowledge, has ever succeeded in doing so.

Summarizing the record of history, the following conclusions emerge, unpalatable as they may be: (a) every great war has produced violent upswings in prices; (b) these have in turn been followed by precipitous price declines throughout the whole price structure rather than a slow descent to new postwar plateaus, and (c) there is little, if any, support for the thesis that the present rise in postwar prices is in accord with an historic trend upward in prices.

Viewed from the cost side of the price equation, any substantial escape from the pincers of high costs and high prices is not currently evident. Under direct costs some relief may be forthcoming from lower raw material costs and heightened productivity. But unit labor costs and the multiple of unit labor costs and material costs is pitched so far above prewar that the impact upon prices must be minimal until these offsets become cumulative over years, if not decades, as in the past. Under overhead costs there is little indication of any substantial downward trend in the various forms of social overhead, and in the extent to which the costs must be footed by taxes, particularly business taxes.

Numerous other elements of rigidity in the price structure are also frequently cited, in support of the outlook for substantially higher prices in the long-term than prewar—such as farm price supports, the vast increase in the money supply and the growth of the Federal and private debt, along with the necessity for a large-scale military outlay. Some of these are not causal, but rather form the basis for government action to hold up price.

The list is already long, and yet it contains only a few of the economic forces currently at play which significantly condition the long-term price outlook. Whether they are sufficient to negate the record of history remains to be determined. The extent to which we avoid the record of the past drastic deflations and their accompanying economic toll will be significantly influenced by business and consumer opinion of the warrant for the existing price level. Each individual will in a sense register his judgment on this question by the manner in which he continues to spend or save in the period ahead.

I believe that if the cost-price factors currently prevailing are explained and generally understood, this can significantly condition the result. Failure to make clear the warrant for the prevailing price structure can contribute to general business contraction, to lower production, increasing business failures and mass unemployment. These would be the prices we would pay in human and physical terms for rapid return to anything approaching the prewar price level. In contrast, the forces of productivity — given time to work themselves out over the long term—can contribute lower prices without the human and physical costs of past postwar corrections.

Outlook for Natural Gas Industry

(Continued from page 2)

under such circumstances would account for 62% of 1947 energy requirements, and obviously there are many factors, including supply, which would preclude the capture of such a large portion of the markets now served by other fuels. However, the growth of the natural gas industry is not predicated on just the replacement of coal and oil. Since 1932 energy requirement of the United States has been increasing at an annual average rate of 7½%. This factor alone goes a long way toward explaining the likelihood of a double in marketed production in the next 10 years inasmuch as natural gas in 1947 accounted for only 13.7% of total energy requirements.

Competition of Fuel Oil

Naturally the outlook for the industry depends on what happens to the future prices of coal and oil. At the present time labor costs consume over 60% of gross revenues in the coal industry. Any substantial decrease in coal prices has to come at the expense of the miners. Electric utilities, according to a recent forecast, are expected to increase their coal consumption by 1956 by 50%. Coke cannot be economically replaced in a large part of the steel industry. In the case of oil, we have only a 13 year domestic supply and our national defense policy, in my opinion, would not tolerate the exhaustion of our oil reserves under a sacrificial price structure for fuel oil in order to compete with natural gas, especially when natural gas has twice the reserves in terms of present annual demand. Fuel oil, the principal product of the petroleum industry, which competes with natural gas, has a growth outlook of its own. It is currently displacing coal on the railroads at a rapid rate. Diesel consumption in 1949 is expected to be up 36%, another 27% in 1950, and 21% in 1951. The U. S. Bureau of Mines recently estimated that in 1953-54 United States demand would exceed domestic production by 2 million barrels daily, and Mr. Joseph Pogue of the Chase Bank, prominent authority on the oil industry, forecasts world petroleum consumption in 1956 double that of today.

Unless Federal taxes and expenditures are reduced to prewar levels, vast new supplies of oil discovered, the threat of war completely removed, and wages, particularly in the coal industry, cut nearly in half, the relative price advantage of natural gas should continue in the foreseeable future.

In addition, natural gas has important uses as a raw material. It has been estimated in Federal Power Commission proceedings that there are some 200,000 uses for natural gas as a raw material in the chemical industry. Some of the products include rubber, paint, refrigerants, carbon black, plastics, anti-freeze, and high octane fuels. At the present time a plant for the conversion of natural gas to gasoline and other chemical products is being constructed in Brownsville, Texas, by Carthage Hydrocol, Inc. However, even if total present production of natural gas were so used, it would not be able to meet our gasoline demands. When it is considered that our estimated gas reserves have twice the life of our domestic oil reserves, the conversion into gasoline may constitute an important future source of demand for natural gas.

I think the outlook for the future demand for natural gas can best be summed up in the words of Mr. Leland Olds of the Federal Power Commission who stated in his report on the National Gas Investigation that natural gas can have any market it wants.

Comparative Operating Costs

Regarding costs of operation, the natural gas industry is also in a favorable position. Wages absorb only around 12% of gross revenues in the case of pipelines such as Tennessee Gas, Panhandle Eastern, and Southern Natural Gas. Distribution companies generally run about 14-18%, and payroll is less than the electric industry in relation to revenues. Production company wage costs are even lower than the pipeline companies.

From the standpoint of income taxes, production companies and pipeline companies owning production properties have the use of deductions for depletion and intangible drilling costs similar to the oil industry, which tend to reduce their tax bills.

Obviously, it is not possible in a talk of this type to cover all aspects of the natural gas industry or to go into detail, and I have tried to outline the economic factors affecting its future. These, in my opinion, assure most natural gas companies of a very large growth in sales and earnings in the future. Expressed another way, the natural gas industry is the only one I know of whose economics are underwritten for the next five years.

COMING EVENTS

In Investment Field

May 5, 1949 (St. Louis, Mo.)
St. Louis Municipal Dealers annual cocktail party.

May 6, 1949
St. Louis Municipal Dealers annual outing at Norwood Hills Country Club.

May 7-8, 1949 (Virginia Beach, Va.)
Southeastern Group of Investment Bankers Association Spring Meeting at the Cavalier Hotel.

May 9, 1949 (New York City)
New York Stock Exchange annual election.

May 11, 1949 (New York City)
Tryouts for Security Traders Association of New York Golf Team to be held at the Richmond County Country Club, Staten Island.

May 14-15 (San Francisco, Calif.)
San Francisco Security Traders Association Annual Outing at Mt. Diablo Country Club.

May 16-17, 1949 (Hot Springs, Ark.)
Spring meeting of NASD Board of Governors and Advisory Council at The Homestead.

May 17, 1949 (Pittsburgh, Pa.)
Pittsburgh Securities Traders Association annual outing at South Hills Country Club.

May 18-21, 1949 (White Sulphur Springs, W. Va.)
Investment Bankers Association Spring Meeting of the Board of Governors at the Greenbrier.

May 20, 1949 (Baltimore, Md.)
Baltimore Security Traders Association annual outing at the Hillendale Country Club.

May 23, 1949 (Chicago, Ill.)
Association of Stock Exchange Firms' members assemble en route to spring meetings.

May 24-28, 1949 (Denver, Colo.)
Association of Stock Exchange Firms spring meeting in Denver and Salt Lake City.

May 27, 1949 (New York City)
Toppers Annual Outing at Rock Springs Country Club, West Orange, N. J.

June 3, 1949 (New York City)
Bond Club of New York 25th Annual Field Day at Sleepy Hollow Country Club, Scarborough, N. Y.

June 6, 1949 (Chicago, Ill.)
Chicago Stock Exchange annual election.

June 6-7, 1949 (Cincinnati, Ohio)
Municipal Bond Dealers Group Annual Spring Party. Cocktail party for out of town guests June 6th; outing June 7 at the Kenwood Country Club.

June 9, 1949 (Boston, Mass.)
Boston Securities Traders Association 30th Annual Outing and Golf Tournament at the Weston Golf Club, Weston, Mass.

June 10, 1949 (Los Angeles, Calif.)
Bond Club of Los Angeles field day and outing at the Bel-Air Country Club.

June 10-12, 1949 (Minneapolis, Minn.)
Twin City Security Traders Association Summer Party at Gull Lake.

June 10, 1949 (New York City)
Municipal Bond Club of New York Field Day at Sleepy Hollow Country Club.

June 17, 1949 (Boston, Mass.)
Municipal Bond Club of Boston Annual Outing at the Concord Country Club, Concord, Mass.

June 17, 1949 (Detroit, Mich.)
Bond Club of Detroit annual outing at the Grosse Ile Golf and Country Club.

June 17, 1949 (New Jersey)
Bond Club of New Jersey Annual Field Day at Rock Spring Club, West Orange, N. J.

June 21-24, 1949 (Canada)
Investment Dealers Association of Canada 33rd annual meeting at Minaki Lodge, Ontario.

June 24-26, 1949 (Los Angeles, Calif.)
Security Traders Association of Los Angeles annual spring party at the Arrowhead Springs Hotel.

June 24, 1949 (New York City)
Investment Association of New York annual outing at the Westchester County Club, Rye, N. Y.

June 24, 1949 (Toledo, Ohio)
Bond Club of Toledo 15th annual outing at Inverness Country Club.

June 28, 1949 (Detroit, Mich.)
Securities Traders Association of Detroit and Michigan annual summer party at the Lochmoor Club, Grosse Pointe Woods, Mich.

June 28, 1949 (Omaha, Neb.)
Nebraska Investment Dealers Bond Club spring frolic at the Omaha Country Club, to be preceded by a cocktail party June 27 at the Omaha Athletic Club in honor of out-of-town guests.

Sept. 9-11, 1949 (Oregon)
Pacific Northwest Group of the Investment Bankers Association 1949 meeting at the Gearhart Hotel, Gearhart, Oregon.

Oct. 5-9, 1949 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at The Broadmoor Hotel.

Dec. 4-9, 1949 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Alabama Gas Corp. (5/10)
March 29 filed $6,000,000 first mortgage bonds, series A, due 1971. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., White, Weld & Co., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Salomon Bros. & Hutzler and Equitable Securities Corp. (jointly). **Proceeds**—To pay off $4,000,000 2¾% notes and the balance for construction and working capital. Expected about May 10.

American Steel & Pump Corp.
Sept. 21 filed 200,000 shares ($2 par) convertible class A stock. **Underwriters**—Herrick, Waddell & Reed, Inc. and Sills, Minton & Co., Inc. **Price**—$8 per share. **Proceeds**—To retire indebtedness and for working capital. Financing plan may be revised.

American Telephone & Telegraph Co.
April 21 filed between $393,000,000 to $400,000,000 ten-year 3⅛% debentures, due June 20, 1959. **Offering**—Debentures will be offered for subscription by stockholders of record May 6 at the rate of $100 debenture for each six shares of capital stock then held at par (flat). Rights expire June 20. **Underwriting**—None. **Proceeds**—For advances to subsidiary and associated companies; for the purchase of stock offered for subscription by such companies; for extensions, additions and improvements to its own telephone plant; and for general corporate purposes.

• Apex Petroleum Co., Denver, Colo.
April 27 (letter of notification) 150,000 shares of common stock. **Price**—$2 per share. No underwriter. For storage tanks and working capital.

Argus, Inc., Ann Arbor, Mich.
Nov. 1 filed 115,315 shares ($10 par) 5½% cumulative convertible preferred stock. **Offering** — To be offered initially for sale to stockholders at the rate of one preferred stock and purchase warrant for each 3½ shares of common stock held. With each share of preferred purchased company will issue a purchase warrant entitling the holder to buy 80/100 of a share of the company's ($1 par) common stock on or before Dec. 31, 1950. **Underwriters**—Leason & Co., Inc., and First Securities Co., Chicago. **Proceeds**—For working capital.

Atkins Popcorn Co., Inc., Wilmington (5/12)
April 11 (letter of notification) $300,000 5% debenture bonds. Price, par. **Underwriter**—D. F. Bernheimer & Co., Inc., New York. For operating capital.

Avco Manufacturing Corp., New York
April 22 filed 387,041 shares ($3 par) common stock. The stock is reserved for issuance to officers and supervisory executives under the company's "stock option plan" or options assumed by the company upon acquisition of the assets of its former subsidiary, American Central Manufacturing Corp. on Nov. 20, 1946.

Baldwin Co., Cincinnati, Ohio
April 7 (letter of notification) 3,000 shares of common capital ($8 par). Price, at market. **Underwriter**—W. D. Gradison & Co., Cincinnati, Ohio. To pay estate and inheritance taxes.

Bangor (Me.) Hydro-Electric Co.
April 22, filed 4,840 additional shares ($100 par) preferred stock and 54,304 shares of common stock (par $15). **Offering**—The preferred is to be offered to preferred and common stockholders at rate of one new share for each 20 preferred shares held and one new preferred for each 80 common shares held. The additional 54,304 shares of common stock will be offered to holders of common stock at the rate of one share for each four shares held. **Dealer Manager**—Smith, Barney & Co. will head a dealer group. **Proceeds**—For corporate purposes, including capital expenditures.

Bradshaw Mining Co., Tonopah, Nev.
Oct. 8 (letter of notification) 1,500,000 shares (5c par) common stock. **Price**—20 cents per share. **Underwriter**—Batkin & Co., New York. To repair and renovate mine of company and to exercise option to purchase processing mill and move and erect such mill on the company's property and for working capital.

• Bridgeport (Conn.) Hydraulic Co.
April 26 filed 36,000 shares of common stock (par $20). **Underwriters**—Smith, Ramsey & Co., Gaynor, Clemence & Co., Chas. W. Scranton & Co., Hincks Bros. & Co., T. W. Watson & Co. **Offering**—To be offered initially to present stockholders on a 1-for-10 basis. **Proceeds**—To reduce short term bank loans.

California Life Insurance Co., Oakland, Calif.
March 18 (letter of notification) 15,000 shares ($5 par) class A capital stock. **Price**—$10 per share. No underwriter. To raise additional capital and surplus.

• Carnegie Mines Ltd., Montreal, Canada
April 27 filed 500,000 shares of common. **Price**—60 cents per share. **Underwriters** — Name by amendment. **Proceeds** — For working capital, exploration, development and other purposes.

Chace Industries, Inc., West Chester, Pa.
March 7 (letter of notification) 68,000 shares of 6% non-cumulative preferred stock (par $4) and 68,000 shares of common stock (par 10¢). **Underwriter**—De Witt Investment Co., 910 West St., Wilmington, Del. To be offered in units of one share of each. Building of factory, installing machinery, working capital.

Cincinnati Gas & Electric Co.
April 15 filed 249,334 common shares (par $8.50). **Offering**—To be offered for subscription by stockholders of record May 12 in ratio of 1-to-9. Rights will expire June 3. **Underwriting**—None. **Proceeds**—To finance construction program.

Clarostat Mfg. Co., Inc., Brooklyn, N. Y.
Aug. 26 (letter of notification) 37,400 shares of 50¢ cumulative convertible preferred stock. **Underwriter**—Cantor, Fitzgerald & Co., Inc., New York. **Price**—$8 per share. Working capital, etc.

Coleraine Asbestos Co. Ltd., Montreal, Canada
Aug. 16 filed 200,000 shares of capital stock. **Price**—50 cents per share in Canadian Currency. **Underwriter**—P. E. Frechette. **Proceeds**—For drilling operations.

• Columbine Development Co., Grand Junction, Colorado
April 29 (letter of notification) 7,075 shares of common stock (par $10). Price, par. No underwriter. To do preliminary work to set up a pulp paper plant.

Consolidated Caribou Silver Mines, Inc., N.Y.C.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 60,000 shares will be sold to the underwriters. **Underwriters**—By amendment. **Proceeds**—To develop mining properties.

• Dean (W. E.) & Co., San Antonio, Texas
April 27 (letter of notification) 5,000 shares of common. **Price**—$11 per share. No underwriter. To increase operating capital.

Detroit (Mich.) Sulphite Pulp & Paper Co.
April 1 (letter of notification) 1,000 shares ($10 par) common. **Price**—$15.50. **Underwriters**—Wm. C. Roney & Co. and Ferriss Wagner & Miller, Detroit, Mich. Proceeds to selling stockholder.

Emlen Corp., Emlenton, Pa.
April 25 (letter of notification) 10,000 shares of common stock (par $10), of which 4,000 on behalf of company. **Price**—$10 per share. **Underwriter**—F. H. Crawford Co., Emlenton, Pa. Company's proceeds will be used for development, manufacture and distribution of a leak-proof pump.

Gauley Mountain Coal Co., New York
Jan. 19, filed 10,666 shares of capital stock, of which 1,381 shares will be sold in behalf of the company and 9,285 shares will be sold by Norgreen Associates Inc. and others. **Underwriting** — None. **Proceeds** — Company will use its proceeds for additional working capital.

• Golden Distributors, Inc., Washington, D. C.
April 25 (letter of notification) 100,000 shares of capital stock, to be offered at $1 par. No underwriter. To carry on the drilling program of the corporation for oil and gas.

• Greater Weeklies Associates, Inc., New York
April 29 (letter of notification) 4,000 shares of 5% preferred (par $20) and 20,000 shares of common (par 1¢). Offered to present stockholders of American Press Association in units of five common and one preferred at $25 per unit. Working capital and general corporate purposes. No underwriting.

• Hagan's Improvement Co., Mamaroneck, N. Y.
April 27 (letter of notification) 383 common shares (no par). **Price**—$100 per share. **Underwriting**—None. Property improvements, etc.

• Helco, Inc., Stroudsburg, Pa.
April 27 (letter of notification) $90,000 20-year 5% income bonds and 36,000 common shares (par 10¢). **Price**—$500 per unit consisting of one $500 bond and 200 common shares. **Underwriting**—None. Working capital.

Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.
June 25 filed 5,000 shares of class B common stock (par $100). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

• Hemisphere International Corp., New Orleans
April 25 (letter of notification) 25 000 shares of 5% convertible preferred. **Price** — $10 per share. No underwriter. New capital.

Horwood Lake Gold Mines Corp.
Dec. 27 (letter of notification) 100,000 shares of capital stock. **Price**—$1 per share. **Underwriter**—Charles W. Warshoff & Co., Newark, N. J. For development of mining properties.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
Nov. 23 (by amendment) 180,000 shares ($10 par) common stock to be offered at $10 per share and 20,020 shares to be issued in exchange for $170,200 first mortgage bonds. **Underwriter**—Tom G. Taylor & Co., Missoula, Mont. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

Indianapolis Power & Light Co. (5/9)
April 12 filed $8,000,000 first mortgage bonds series, due 1974 and 107,226 shares of common stock (no par). **Underwriters**—Bonds will be sold at competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Equitable Securities Corp.; Blyth & Co., Inc.; Hemphill, Noyes & Co., Drexel & Co. (jointly); Union Securities Corp., Lehman Brothers, The First Boston Corp. and Goldman, Sachs & Co. (jointly). Expected May 9. **Stock Offering**—Stock will be offered for subscription by common stockholders of record May 11 at rate of one new share for each 10 shares held. Rights expire May 24. **Underwriters**—Terms of sale of unsubscribed shares will be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers and Goldman, Sachs & Co. (jointly); W. C. Langley & Co., Shields & Co. and White, Weld & Co. (jointly). **Proceeds**—For construction.

• International Harvester Co., Chicago, Ill.
April 29 filed 1,200,000 shares (no par) common. **Offering**—To eligible employees of company and certain employees of subsidiaries under its Employees' Common Stock Subscription Plan of 1949. **Underwriter** — None. **Proceeds**—For general corporate purposes.

Jefferson (Iowa) Telephone Co.
April 22 (letter of notification) $65,000 4% first mortgage bonds, series C, due April 1, 1969. **Underwriter**—Wachob-Bender Corp., Omaha, Neb. For plant extensions and betterments and for additional working capital.

• Kansas Oil Corp., Wray, Colo.
April 29 (letter of notification) 25,000 shares of capital stock (par $1). Price, par. No underwriter. To drill and develop oil and gas lease.

Kansas Power & Light Co. (5/6)
March 25 filed $10,000,000 first mortgage bonds, due 1979. **Underwriters**—Issue awarded May 4 to The First Boston Corp. and associates on bid of 100.82 for a 2⅞% coupon. Offering price expected at 101½. **Proceeds**—To reimburse company's treasury for capital expenditures and for meeting, in part, the costs of future capital expenditures and for other corporate purposes.

Las Vegas (Nev.) Thoroughbred Racing Assn.
Jan. 25 filed 500,000 shares 6% cumulative preferred stock (par $5) and 500,000 shares common stock (no par). **Underwriting**—None. **Offering**—To be sold in units of one share of each at $5 per unit. **Proceeds**—To purchase land and construct racing plant and for working capital.

Link-Belt Co., Chicago, Ill.
April 18 filed 11,196 shares (no par) common. **Offering**—To be offered to a selected group of officers and employees of the company and its subsidiaries. **Price**—$55 per share. No underwriter. For working capital.

Lorain (Ohio) Telephone Co.
April 11 (letter of notification) 7,500 shares (no par) common. **Price**—$20 each. No underwriter. To reimburse treasury for outlays for property additions.

• Mar-Tex Realization Corp., Dallas, Texas
April 28 (letter of notification) 35,000 shares of common. Price, market. **Underwriters**—Chas. B. White Co., Houston; First Southwest Co. and Rauscher Pierce & Co., Dallas. Proceeds go to Bennett L. Wooley, a stockholder.

Mayflower Co., Salt Lake City, Utah
March 14 (letter of notification) 100,000 shares (1c par) common. Price, 10 cents per share. **Underwriter**—The Cromer Brokerage Co., Salt Lake City. To liquidate debts and provide funds for operating expenses.

• Mercantile Credit Corp., Wichita Falls, Tex.
April 22 (letter of notification) 20,000 shares of 6% cumulative preferred stock and 50,000 shares of common. **Price** — Preferred $10 per share; common $1.15 per share. No underwriter. For general corporate purposes.

• Morning Glory Mines, Inc., Spokane, Wash.
April 25 (letter of notification) 600,000 shares of common. To be offered to stockholders at 10 cents per share. No underwriter. To develop mining properties, complete payment on machinery and to meet pay rolls and general expenses.

National Airlines, Inc.
April 14 filed 76,013 shares of capital stock, of which 66,013 shares will be sold to Bessemer Securities Corp. at $6.50 per share and 10,000 shares will be issued to company's attorney in payment for services rendered over past three years.

• National Casualty Co., Detroit, Mich.
April 26 (letter of notification) 2,500 shares of capital stock. **Price**—$27 per share. To be offered for benefit of

NEW ISSUE CALENDAR

May 5, 1949

Chicago Great Western RR., Noon (CDT)	Eq. Tr. Ctfs.
New York Central RR., Noon (EDT)	Eq. Tr. Ctfs.

May 6, 1949

Kansas Power & Light Co.	Bonds

May 9, 1949

Indianapolis Power & Light Co.	Bonds and Stock
Potomac Elec. Power Co., 11:30 a.m. (EDT)	Bonds

May 10, 1949

Alabama Gas Corp.	Bonds
Peninsula Telephone Co.	Common

May 11, 1949

Washington Terminal Co., Noon (EDT)	Bonds

May 12, 1949

Atkins Popcorn Co., Inc.	Debentures

May 16, 1949

Cambria & Indiana RR.	Eq. Tr. Ctfs.

May 17, 1949

Erie RR.	Eq. Tr. Ctfs.

May 19, 1949

United Biscuit Co. of America	Preferred

May 24, 1949

Columbia Gas System Inc.	Common

June 1, 1949

Southern Indiana Gas & Electric Co.	Bonds

June 7, 1949

Public Service Electric & Gas Co.	Bonds

June 8, 1949

Southern Railway	Eq. Tr. Ctfs.

Continental Casualty Co. **Underwriter** — Geyer & Co., Inc.

Nielsen Television Corp., New York
Feb. 24 (letter of notification) 4,000 share of 6% cumulative non-convertible preferred stock (par $25) and 10,000 shares of common stock (par 25c). **Underwriter**—Charles H. Drew & Co., New York. **Offering**—To be offered in units of one preferred share and 2½ common shares at $25.625 per unit. Capital requirements. Present plans will be revised.

● **Norma Oil Corp., Seguin, Tex.**
April 25 (letter of notification) 300,000 shares (40c par) class A stock. **Price**—$1 per share. **Underwriter**—Cantor, Fitzgerald & Co., Inc. For drilling oil wells, purchase of equipment and leaseholds and for additional working capital.

● **Oil Inc., Salt Lake City, Utah**
April 27 (letter of notification) 172,690 shares ($1 par) common. Price, par. No underwriter. For drilling operations and working capital.

Palestine Economic Corp., New York
March 28 filed 600,000 shares ($25 par) common stock. **Price**—$28 per share. **Underwriter**—None. **Proceeds**—For development of industries and real estate and the balance for working capital and general corporate purposes.

● **Paradise Land Development Co., Inc., Carson, Nev.**
April 25 (letter of notification) 200,000 shares of common stock (par $1). Price, par. No underwriter. For land development and working capital.

Peninsular Telephone Co. (5/10)
April 20 filed 42,448 shares (no par) common stock. To be offered stockholders of record May 10 on a 1-for-5 basis, with rights expiring May 24. **Underwriters**—Morgan Stanley & Co., Coggeshall & Hicks and G. H. Walker & Co. will purchase unsubscribed shares after officers and employees have chance to purchase same. **Proceeds**—For general corporate purposes. Expected May 10.

● **Pioneer Enterprises, Inc., Bluefield, W. Va.**
April 26 (letter of notification) 2,278 shares ($100 par) capital stock. No underwriter. For working capital.

Potomac Electric Power Co. (5/9)
April 14 filed $10,000,000 first mortgage bonds, due 1984. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly). **Proceeds**—For construction. **Bids**—Bids for purchase of bonds will be received by company at Room 822, 929 E Street N. W., Washington, D. C., up to 11:30 a.m. (EDT) May 9.

Potomac Electric Power Co.
April 14 filed 592,250 shares of common stock (par $10) **Underwriters**—Dillon, Read & Co. Inc., New York; Auchincloss, Parker & Redpath, Washington, D. C.; Alex. Brown & Sons, Baltimore. **Offering**—To be offered for subscription by stockholders of record May 10 on 1-for-5 basis. Rights expire May 25. **Proceeds**—For investment.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—To be named by amendment. **Proceeds**—For administration expenses and drilling.

Renaissance Films Distribution, Inc., Montreal, Que.
Oct. 29 filed 40,000 shares (par $25) 5% cumulative convertible class B preferred stock and 10,000 shares of C stock (no par). **Underwriting**—None. **Offering**—Class B preferred will be offered at $25 per share with one share of class C given as a bonus with each 4 shares of class B purchased. **Proceeds**—To pay balance of current liabilities and working capital.

Robinson Plywood & Timber Co., Everett, Washington
Nov. 17 filed 271,025 shares ($1 par) common stock, of which 105,000 shares are to be offered by company, and 166,025 shares by 15 selling stockholders. **Underwriter**—Blyth & Co., Inc. **Proceeds**—To company from the sale of the 105,000 shares will be added to working capital, except about $275,000 may be advanced to a new subsidiary to be used by it in making part payment of the option purchase price of one-half of the stock of Conifer Timber Co., Fortson, Wash. Indefinitely postponed.

Shomee Oil Corp., St. Louis, Mo.
March 28 (letter of notification) 150,000 shares of class A common (par $1). Price, par. **Underwriter** — John R. Kauffmann Co., St. Louis, Mo. For working capital.

Smith (H. D.) Manufacturing Corp., Roseville, Michigan
April 18 (letter of notification) 125,000 shares of common (par $2). **Underwriter**—Charles E. Bailey & Co., Detroit. Price, par. To pay current liabilities, buy new machinery and to provide additional working capital.

South Carolina Electric & Gas Co.
April 11 filed 306,000 shares common stock (par $4.50) to be offered for subscription by stockholders on a 1-for-4 basis. **Underwriter**—None. **Proceeds**—To finance construction program.

Southern Airways, Inc., Birmingham, Ala.
March 28 (letter of notification) 100,000 shares of common capital stock (par $3). Price, par. **Underwriter**—By amendment. To activate airline routes.

● **Southern Indiana Gas & Electric Co. (6/1)**
April 29 filed $3,000,000 first mortgage bonds, due June 1, 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Harriman Ripley & Co.; Carl M. Loeb, Rhoades & Co. **Proceeds**—To finance a continuation of the company's construction program. Bids expected to be opened on or about June 1.

● **Sovereign Investors, Inc., New York**
April 24 filed 200,000 shares of common stock (par $1). **Underwriter** — Sovereign Corp. **Proceeds**—For investment.

Spreckels Companies, San Francisco, Calif.
April 15 filed 125,000 shares ($10 par) capital stock and $4,000,000 5% sinking fund debentures, due March 1, 1969. No underwriter. To pay off notes and for working capital.

Stanley Works, New Britain, Conn.
April 13 (letter of notification) about 5,660 shares of common. **Price**—Approximately $53 per share. No underwriter. For general corporate purposes.

● **Stevenson Plywood & Lumber Sales Co., Hoquiam, Wash.**
April 28 (letter of notification) 200,000 shares of common. **Price**—$1 per share. No underwriter. To buy preferred stock of the Stevenson Plywood Corp.

Suburban Gas Service, Inc., Ontario, Calif.
March 31 (letter of notification) 4,000 shares ($25 par) series B preferred and 20,000 shares ($1 par) common—issuable upon conversion of preferred. **Price**—Preferred $25 per share. **Underwriters**—Wagenseller & Durst, Inc., and Lester & Co. To buy Antelope Liquid Gas Co.

● **Sun Valley Lead Silver Mines, Inc., Hailey, Ida.**
April 25 (letter of notification) 200,000 shares of capital stock (par 10c). Price, par. No underwriter. For mining operations.

Tennessee Odin Insurance Co., Knoxville, Tenn.
March 29 (letter of notification) 3,800 shares (no par) capital stock. **Price**—$8.50 per share. **Underwriters**—J. C. Bradford & Co.; Elder & Co.; Strader, Taylor & Co.; Bullington-Schas & Co.; Marx & Co.; Stein Bros. & Boyce.

Texas Engineering & Manufacturing Co., Inc., Dallas, Texas
April 22 (letter of notification) not more than $100,000 ($1 par) common stock. Price, at market. **Underwriters**—Beer & Co.; Merrill Lynch, Pierce, Fenner & Beane and Rauscher, Pierce & Co.

Thompson Industries, Inc., Boston
March 31 filed 120,000 shares ($1 par) convertible preferred stock. **Offering**—32,214 shares are to be offered to holders of present $6 cumulative preferred stock at the rate of one new share for each one held on an exchange basis. The remainder are to be offered on a pro rata basis to other holders of $6 cumulative preferred stock at $15 a share. **Underwriter**—None. **Proceeds**—To modernize restaurant operations.

Trans-America Music Corp.
April 26 (letter of notification) 1,200,000 shares of common stock (par 1c). **Price**—25 cents per share. **Underwriter**—R. N. Real & Co., New York. Organizational expenses, working capital, etc.

Trenton Chemical Co., Detroit, Mich.
March 30 filed 131,841 shares 6% cumulative convertible class B preference ($2 par). **Underwriters**—Straus & Blosser, Chicago; Carr & Co., Detroit, and Lester & Co., Los Angeles. **Proceeds**—To build chemical plant and to replace working capital used for capital additions. [Under a previous registration statement (No. 7637), which became effective Sept. 24, 1948, company sold 43,159 shares of 6% cumulative preferred stock for a total of $97,108 and removed 131,841 shares from registration March 21, 1949.]

● **Triangle Oil & Gas Corp., Knoxville, Tenn.**
April 25 (letter of notification) 200,000 shares of common (par $1). Price, par. No underwriter. To finance drilling of properties.

Mrs. Tucker's Foods, Inc., Sherman, Texas
Nov. 26 filed 200,000 shares of common stock (par $2.50) of which 80,000 will be sold by the company and 120,000 shares by certain stockholders. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—For general corporate purposes.

United Biscuit Co. of America (5/19)
April 27 filed 80,000 shares (no par) cumulative preferred stock. **Underwriter**—Goldman, Sachs & Co., New York. **Proceeds**—To apply payment on $3,000,000 of notes held by Manufacturers Trust Co., New York, and for general funds.

● **U. S. Oil & Gas Corp., Shreveport, La.**
April 26 (letter of notification) 800,000 shares (10c par) common. **Price**—37½c per share. **Underwriter**—Stewart J. Lee & Co., New York. For drilling and equipping five wells and for working capital.

Upper Peninsula Power Co.
Sept. 28 filed 200,000 shares of common stock (par $9). **Underwriters** — Names to be determined through competitive bidding. Probable bidders include Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly). **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively; Copper Range Co., 34,000 shares and several individual owners 11,200 shares.

● **Virginia Electric & Power Co.**
May 4 filed $20,000,000 first & refunding mortgage bonds, due June 1, 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: White, Weld & Co.; Union Securities Corp.; Stone & Webster Securities Corp.; Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Proceeds**—For construction.

● **West Coast Fruit Corp., Palmetto, Fla.**
April 29 (letter of notification) 600 shares ($500 par) common. No underwriter. To buy citrus grove.

Western American Life Insurance Co., Reno
March 30 filed 12,500 shares ($10 par) common stock. **Price**—$40 each. **Underwriter**—To be named by amendment. **Proceeds**—To qualify the company to sell life insurance in any state.

Western Oil Fields, Inc., Denver, Colo.
Jan. 5 (letter of notification) 1,000,000 shares (1c par) common. Price, 10 cents per share. **Underwriter** — John G. Perry & Co., Inc., Denver, Colo. To drill a well and acquire additional properties.

Wichman Philippine Mindanao Development Co., Cebu City, Philippine Islands
Jan. 5 filed 2,000,000 shares of voting capital stock, one centavo par value. **Price**—25 cents per share (U. S. currency). **Underwriter**—F. T. Andrews & Co. **Proceeds**—To provide funds for plant construction, diamond drilling, exploration and repayment of loans.

Wiegand (Edwin L.) Co., Pittsburgh
Sept. 28 filed 200,000 shares (no par) common stock **Underwriter**—Hemphill, Noyes & Co., New York. Price, by amendment. **Proceeds**—Will go to selling stockholders. Offering postponed.

Young (Thomas) Orchids, Inc., Bound Brook, New Jersey
April 20 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$30 per share. **Underwriter**—Smith, Barney & Co. will act as agents. Proceeds to selling stockholder.

Prospective Offerings

● **Aluminum Co. of America**
April 21 stockholders approved an increase in the authorized indebtedness from $150,000,000 to $200,000,000. Traditional underwriter, The First Boston Corp.

● **American Cyanamid Co.**
April 18 stockholders authorized an issue of 40,000 shares of cumulative preferred stock and dividend. Directors to create a new series of cumulative convertible class B preferred consisting initially of not more than 20,000 shares (par $100), to be offered to employees on the instalment plan.

● **Boston Edison Co.**
April 28 New England Electric System announced the contemplated sale of about 123,100 shares of common stock. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Otis & Co.; Blyth & Co. Inc. and Goldman,

(Continued on page 46)

(Continued from page 45)

Sachs & Co. (jointly); The First Boston Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co.

● Cambria & Indiana RR. (5/16)
The company has issued invitations for bids to be received May 16 for the purchase from it of $650,000 equipment trust certificates. The certificates will be dated June 1, 1949, and are to mature in 10 annual instalments June 1, 1950-59. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

Chicago Great Western RR. (5/5)
Company will receive bids up to noon (CDT) May 5 at its office, 309 W. Jackson Boulevard, Chicago, for the purchase of $7,020,000 equipment trust certificates, dated May 1, 1949, due $260,000 semi-annually Nov. 1, 1949-Nov. 1, 1962. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler, Harris, Hall & Co. (Inc.), Harriman Ripley & Co. and Lehman Brothers (jointly); The First Boston Corp.

Columbia Gas System, Inc. (5/24)
April 20 company announced that it plans to sell an additional 1,345,300 shares of common stock pursuant to a subscription offer to its stockholders. The offer will be made on or about May 24, 1949. While the offering will not be underwritten, the corporation plans to pay selected security dealers (headed by The First Boston Corp.) a fee for soliciting subscriptions. Stockholders will receive a primary right to subscribe for one share for each ten shares held and an additional privilege to subscribe to a larger number of shares, subject to allotment, out of the shares not taken by other stockholders pursuant to the primary subscription right. The proceeds from the sale of the stock will be used to finance part of the 1949 construction program of the Columbia Gas System.

● Erie RR. (5/17)
Company will receive bids up to May 17 for the purchase of $3,450,000 equipment trust certificates, due $345,000 annually May 15, 1950-1959. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harris Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

● Jones & Laughlin Steel Corp.
April 26 stockholders voted to increase authorized indebtedness so that company may borrow up to $150,000,000. At same meeting stockholders voted to increase authorized common stock from 2,500,000 shares to 3,500,000 shares. Probable underwriter if securities are sold: The First Boston Corp.

Keller Motors Corp., Huntsville, Ala.
April 11 corporation plans public offering of 5,000,000 shares common stock proceeds to provide capital to engage in volume production. Underwriter, Greenfield, Lax & Co., Inc., New York.

Michigan Consolidated Gas Co.
April 21 reported company has under consideration sale of $25,000,000 18-year debentures. This offering would replace the $14,000,000 in bonds and $7,000,000 in preferred stock for which the company previously had planned. Probable bidders: White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Bros.; Harris, Hall & Co. (Inc.); Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Dillon Read & Co.; The First Boston Corp.

New England Electric System
May 17 stockholders will vote on increasing common stock from 7,500,000 to 8,500,000 shares and to reduce par from $20 to $1. Expected sufficient stock, to raise $6,000,000, will first be offered stockholders. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. and Goldman, Sachs & Co. (jointly).

● New York Central RR. (5/5)
Bids for purchase of $10,725,000 equipment trust certificates, dated May 15, 1949 and due $715,000 May 15, 1950-1964, will be received up to noon (EDT) May 5 at company's office, 466 Lexington Avenue, New York. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers; Salomon Bros. & Hutzler; The First Boston Corp.; Harris, Hall & Co. (Inc.).

New York New Haven & Hartford RR.
April 13 stockholders authorized issuance of not exceeding $3,500,000 of equipment obligations. Probable bidders: Harris, Hall & Co. (Inc.); Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, Lehman Brothers and Bear, Stearns & Co. (jointly); Lee Higginson Corp.

New York State Electric & Gas Corp.
April 27 reported company will be in the market shortly with stock offerings to finance construction and pay off small bank loans. Company expects to offer additional common stock to its present shareholders in an amount sufficient to raise $3,000,000. After that, it is planned to raise $4,000,000 through an offering of new preferred stock. It is expected that the senior issue will be sold via competitive bidding, although the condition of the preferred stock market at the time may influence the method of sale. Probable bidders: W. C. Langley & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Harriman Ripley & Co.

● Oklahoma Gas & Electric Co.
April 29 reported company contemplates the sale of $10,000,000 bonds. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Union Securities Corp. (jointly); Lehman Brothers and Blyth & Co., Inc.

● Pennsylvania RR.
Bids for the purchase of $10,425,000 equipment trust certificates, series X, dated May 1, 1949 and due in 15 annual instalments of $695,000 from May 1, 1950-1964, will be received by company at Room 1811, Broad Street Station Bldg., Philadelphia, up to noon (EDT) May 18. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers (jointly).

● Public Service Electric & Gas Co. (6/7)
Company expects to file a registration statement with the SEC May 6 covering $75,000,000 first and refunding mortgage bonds to be dated June 1, 1949 and due June 1, 1979. Probable bidders: Morgan Stanley & Co.; Halsey Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly). Bids expected to be opened June 7.

● Public Service Co. of New Hampshire
May 10 SEC will hold hearing on companys request to issue and sell 104,804 shares of common stock ($10 par). The new common shares are to be offered for subscription by common stockholders on the basis of one new share for each eight shares held. Unsubscribed shares will be sold to underwriters, who also may receive compensation for soliciting stockholder subscriptions. The company requests that the offer and sale of the stock be exempted from competitive bidding. New England Public Service Co. (parent), holder of 58.83% of the outstanding common stock of Public Service will surrender for cancellation the warrants evidencing its preemptive right to subscribe for the additional common stock to which it is entitled and will not subscribe to any of the new common stock. Common stockholders will be entitled to purchase shares in excess of their ratable allotment; and holders of the company's preferred stock will be offered a similar opportunity to subscribe to the new, unsubscribed shares.

Public Service Co. of New Hampshire
April 25 reported company plans to sell about $4,000,000 bonds at an early date. Possible bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp. and Coffin & Burr Inc. (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly); Smith, Barney & Co. and Harriman Ripley & Co. (jointly).

Public Service Co. of Oklahoma
April 23 reported company expects to sell 50,000 preferred shares in near future. Probable bidders include Glore, Forgan & Co. and Smith, Barney & Co. (jointly); Harriman Ripley & Co. and Central Republic Co. (jointly).

Southern California Edison Co.
April 20 California P. U. Commission authorized the company to issue 800,000 additional shares of its common stock. Underwriters: Harris, Hall & Co. (Inc.) and The First Boston Corp.

Southern Natural Gas Co.
April 21 company asked SEC permission to issue 141,358 shares of common stock, to be offered for subscription by stockholders, in ratio of one new share for each 10 shares held, with privilege of subscribing for shares not subscribed for. Proceeds are to be applied to financing company's construction program and to purchase additional common stock of Alabama Gas Corp., subsidiary. Issue will not be underwritten.

● Southern Railway (6/8)
The company is planning to ask for bids, to be opened on June 8 for the purchase from it of $7,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.).

Southwestern Gas & Electric Co.
April 23 reported company plans sale of $4,500,000 bonds and $2,500,000 preferred stock in near future. Probable bidders include: Blyth & Co., Inc., and Stone & Webster Securities Corp.; Lehman Brothers; Halsey, Stuart & Co. Inc. (bonds); White, Weld & Co.; Harriman Ripley & Co.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

● United Utilities & Specialty Corp.
Greenfield, Lax & Co., Inc., New York, intends to sell 3,657 warrants held by H. K. Greenfield, at 50 cents per warrant.

Washington Terminal Co. (5/11)
Bids for the purchase of $1,500,000 first mortgage bonds (guaranteed) series B, due May 1, 1974, will be received up to Noon (EDT), May 11, at Room 1811, Broad Street Station, Philadelphia. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler and R. W. Pressprich & Co.; Lee Higginson Corp.; Otis & Co.

Favors Strengthening Sterling Exchange

Pamphlet published by National Foreign Trade Council urges that sterling be made a companion currency to share with the dollar task of financing international transactions. Sees no object in piling one complex exchange system on another by seeking to reestablish convertibility of European currencies.

Instead of piling one complex system on another in trying to find some means of establishing convertibility of European currencies, far more profitable results might be obtained, the International Finance Committee of the National Foreign Trade Council maintains by concentrating on strengthening sterling and making it broadly convertible, particularly into dollars.

In an 85-page review, entitled "Sterling Since the Convertibility Crisis," the committee said that the pound sterling is doing far more of a job than perhaps is realized, but that "trade and recovery will continue to limp until the time comes or is made appropriate for it to do still more."

The review examines British commercial policy since the end of the short-lived sterling convertibility period in 1947, leading to the present British position and prospects, against a background of developments under the British loan agreement signed in 1945.

Need for another strong currency to share with the dollar the task of financing international transactions was emphasized. This would be an essential step, the report states, toward attaining freer commercial policies within Europe.

Conditions for Restoring Sterling

Conditions for restoring sterling to a position approaching that of the prewar period are outlined in the pamphlet as follows:

(1) Current sterling to be convertible into goods, services or other currencies, as required.

(2) Confidence on the part of those receiving sterling through current transactions in the continuing ability of the United Kingdom to meet its obligations.

(3) General agreement on the part of other countries to accept sterling of a current nature without limit from all other parties.

(4) Commitments that artificial restrictions for the deliberate purpose of accumulating a surplus of sterling would not be imposed.

As a fifth condition a firm understanding might be advisable with respect to old accumulations of sterling and unproductive capital movements.

"A possible sixth condition might be eventual realignment of the various exchange rates under the supervision of the International Monetary Fund in order to prevent trade from being hampered by distorted price relationships."

Says Conditions Are Largely in Effect Now

Subject to limitations, the study declared, these conditions are even now, on the basis of informal understandings, effective within the sterling area, and to a large extent bilaterally between the sterling area and individual countries.

Ability of the United Kingdom to maintain sterling as a clearing currency, the study continued, would be in part dependent on some understanding with respect to old accumulations and capital movements.

"As has already been observed, much of the difficulty which the United Kingdom has met has stemmed directly or indirectly from these disturbing elements. The larger the area that could be brought into such an arrangement, the more effective it would become.

"For the long run, of course, the objective must be for Britain to regain the position where the demand for sterling is not less than the supply, and where the demand for sterling from countries with dollar surpluses will be at least equal to the supply of sterling offered against dollars. As the availability of items for export has increased, a mild disinflationary fiscal period instituted, and floating sterling dried up to a considerable extent, Britain made notable progress in 1948 toward the above objective.

"The most significant indication has been in the hardening of sterling in the world markets. Because of ECA financing, the dollar deficit no longer presses on the general external situation. But the dollar deficit must be eliminated, and this will continue to be the ultimate task."

The review cites the explanation sometimes offered for the continuing British dollar deficit—that the non-discrimination clause of the Financial Agreement made it impossible for the United Kingdom to switch purchases to other than dollar areas. This view is refuted in several pages of factual argument and it is stated that experience has shown that any temporary gains from a policy of trade discrimination are offset by losses.

British Loan Objectives Obscured

That the objectives of the British loan have not been achieved is obvious, the study states, but in the fast moving course of events of the years between 1945 and today the reasons why the objectives remain as goals and not as accomplishments have been somewhat obscured.

"The British task is made harder by the fact that not only must wartime losses be offset, but prewar trends under way for years must be reversed. Economic adjustments postponed by one means or another during the interwar period must now take place. It is no mere coincidence that Britain's period of economic greatness was also the period of bold enterprise, while the decline has paralleled an increasing emphasis on security, on protection. The spread of this attitude to other nations has perhaps proved even more damaging to Britain than have its own policies directly. There is serious danger that the economic autarchy of the interwar period may be reborn, if it does not already flourish under another name."

It is contended in the report that throughout the world the economic waste incident to the war has been followed by economic waste resulting from attempting to do too much too fast, and the comment is made that "it has not been the competitive spirit which has led to this, but rather the expression of the demand for national self-sufficiency and security. The intrusion of governments into every sphere of activity, often on extremely doubtful bases, has confused and retarded recovery rather than promoted it."

Our Reporter's Report

Lack of reflection in the seasoned bond market of the recent revival of interest in new issues appears a trifle puzzling until some keen observers get around to discussing the situation.

Then the reasons for this seeming paradox get a bit clearer. Frequently older issues are available on what appears to be a bit more attractive yield basis. But the big "catch" is that the market is extremely "thin" and potential buyers know that any attempt to pick up sizable amounts would run the market up against them.

That is why institutional portfolio men are hesitant to open up a new "authorization" of any size. They figure that it is one thing to authorize the purchase of say $1 million of a selected issue, and quite another to carry the idea through at anything like a set price.

Consequently, having a mighty keen faculty for anticipating what is ahead or likely to develop in the new issue market, these buyers are disposed to stand aside and let their cash balances mount with the idea of taking advantage of situations that arise two or months hence.

Moreover, it is much easier to ... a prospectus on a new ... quality and put it before ...vers that be, than it is to ...p complete data on outstanding corporate obligations and then proceed to sell the idea through lengthy explanation of the conclusions.

Two Fast Ones

...oregoing considerations ... explain most readily ...tions which led up to the ...dy placement of the two ...ues brought out yester-...

Triborough Bridge Au...s huge $141,500,000 of- largest single revenue ...ue in the history of that ... undertaking in this ..., was snapped up in a ...

Savings banks, insurance companies and a number of national banks were the major outlets for this one.

Meanwhile Pacific Gas & Electric Co.'s 1,500,000 shares of $25 par redeemable first preferred stock went out in a rush with three or four of the largest insurance companies prominent on the buying side here.

Amer. Tel. & Tel. 3⅛s

American Telephone & Telegraph Co.'s new 3⅛% ten-year debentures, of which $395,000,000 will ultimately be marketed, are now trading on a "when-issued" basis.

The issue sold reportedly at 109, over-the-counter, and then eased to 108½, the "Big Board" price, to yield from 2.07% to 2.14% depending on the price.

Banks, which naturally would like a little of this one, by reason of the maturity and the name, are not expected to be interested much this side of a 2.45 to 2.50 yield basis, according to observers.

"Rights" accruing to shareholders—it takes six "rights" and 100 to buy a debenture — have traded around 1 9/16 to 1⅜.

Competition Is Keen

Competition for new bond issues, that is those of so-called "Street" size, has never been keener than it is at the moment. On Monday two small issues brought out a total of no less than 17 separate bids.

And on Tuesday, three issues, averaging a bit larger in proportions, attracted an equivalent number of banking tenders.

That the bankers have had a bit the better of "pricing" ideas, after months of struggle with institutional buyers, seems evident from the fact that yields fixed for current issues ranged below the 3% level in the cases of all bonds involved.

The indicated return fixed for the four bond issues ranged from a high of 2.95% on the 3s of Kentucky & West Virginia Power Co., to a low of 2.86% on Westchester Lighting Co.'s general mortgage 3s.

April New Issues

With the seasoned equity market virtually dormant in the period it is interesting to note that new stock issues in April approached the $80 million mark for 16 offerings against about $30 million for nine issues in March and some $35 million for ten in April last year.

Meanwhile the total of new debt financing for the month was off with 44 issues accounting for about $365 million against 81 issues and $390 million in March and 66 issues for $472,423,000 in April, 1948.

Halsey, Stuart Group Offers Westchester Lighting Co. Bonds

Halsey, Stuart & Co. Inc. heads an underwriting group that is offering publicly today (May 5) $12,000,000 Westchester Lighting Co. general mortgage bonds, 3% series due May 1, 1979 at 102.806% and accrued interest. The group was awarded the bonds, which are guaranteed unconditionally as to payment of principal and interest by Consolidated Edison Co. of New York, Inc., at competitive sale on its bid of 102.2068.

Proceeds, exclusive of accrued interest, will be applied by the company to the cost of redemption on July 1, 1949, at par, of $10,000,000 aggregate principal amount of New York and Westchester Lighting Co.; general mortgage 100-year gold coupon bonds, 4%, due July 1, 2004, and toward the payment and discharge of open account indebtedness, aggregating $2,300,000 as of March 15, 1949, due and payable to its parent, Consolidated Edison Co., which was incurred in connection with the interim financing of the Westchester company's construction program.

The new bonds will be redeemable at prices ranging from 105.81% to 100%, plus accrued interest.

Truman States Objectives of Farm Program

President tells National Association of Radio Farm Directors it doesn't make much difference what prices are as long as balance between farmer, processor and consumer is fair and square. Wants living standard raised everywhere.

In a brief talk made to members of the National Association of Radio Farm Directors in Washington on May 2, President Harry S. Truman stated the objectives of the Administration's farm program. *The text of this talk follows:*

President Truman

It is a pleasure to meet you. The work that you are doing in cooperation with the Secretary of Agriculture has been exceedingly helpful, not only in implementing the farm program but in keeping it going after it has been implemented.

We are working on a farm program that is a real one now, and I know that you are all going to cooperate.

We are trying to arrange things so that there is a balance—a fair balance — between the man who raises the things to eat, and the fiber with which we are clothed, and the man who processes it and the man who uses it. If we have a balance between the producer, the man who does the processing, and the consumer—the processor and the consumer sometimes is the same man — it doesn't make much difference what the prices are, so long as there is a balance between the three groups that is fair and square. That is what we are working for. We want everybody in the country to have a fair share in the prosperity of the United States of America, and we want to make that prosperity continuous. And I think we have got a policy in mind at home to do that, not only for the farmer, but for labor and for industry.

That whole thing is tied into the world situation. It is all one picture. If we ourselves can show how to make our form of government work successfully for all the people, that has its effect on the world situation. If we could just raise the standard of living of the people in Asia and Africa and South America, our prosperity never could cease. Just 2% is all we need to do that. Our ambition is to give all the people everywhere a chance at the good things of life, and we want to do that peaceably.

So, if you help make your own country successful and prosperous, you are helping make the world peaceful and prosperous. And that is all any of us want to see.

I thank you for coming over here, and I appreciate having the chance to meet you. And at five-thirty in the morning I'll be listening to you!

Barrios Investments Form'd

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA. — Frank O. Barrios has formed Barrios Investments with offices in the Florida Theatre Building to engage in a securities business.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—When Congress gets through playing with Mr. Truman's broad social security program the net eternal, annual cost thereof is likely to be boosted substantially beyond present commitments. There is a deceptive nature to the reports from Congress on social security. Most of these reports express skepticism about the President's proposals. Together they give a comfortable illusion of security against another big raid on the taxpayer, at least from this quarter.

Actually, the Congress really is skeptical of the President's grandiloquent promises to take care of all human problems from the lack of adequate housing to take care of one's mother-in-law or the problem of an ingrown toenail, to financing some one with incurable cancer or a permanent disability against gainful employment.

But the situation in which the Congress finds itself is that if it gives "just a little bit" toward any one of the several potentially Treasury-bankruptin proposals of the President, and then gives a little bit more toward another objective, the Congress will end up tapping the Treasury for quite a substantial additional leakage of public monies, a leak which politically cannot be stopped.

Thus, Congress is most unlikely, according to tentative soundings, to set up in the old age and survivors system a scheme to provde pensions for the permanently sick and disabled. On the other hand, there is at least a fair chance that under the "assistance" programs, Congress will set up a new category of assistance payments for the disabled.

Under the assistance programs, the U. S. matches in various degrees state funds put up to take care of the blind, the indigent aged not covered by the contributory Federal system, and dependent children. It is considered quite possible that the Congress will set up this new assistance category of the physically disabled. The taxpayer will be lucky, indeed, if other categories of beneficiaries are not also set up.

On the other hand, there seems to be a pretty good chance that Congress will once more veto the White House scheme for variable grants. Beginning with the late Mr. Roosevelt and continuing with Mr. Truman, the White House has always dearly loved the project of giving the "poor" states a greater share of the money needed to take care of their assistance clients at the expense of the "rich" states. Under this scheme, New York would continue to get, for example, around one dollar of Federal money for every dollar of state money it put up for its indigent aged, but some state such as Arkansas or Mississippi, would get $2 for every $1 of state money.

Variable grants are out indefinitely, for the simple reason that there are enough members of Congress from the so-called rich states to beat the proposition. Incidentally, while Congress is opposing variable grants under the assistance phases of social security it contrarily favors them with respect to the bill providing Federal aid for local education.

* * *

Whether and how and to what extend to expand the coverage of the contributory old age and survivors' pension scheme is the problem which will probably give the Congress its biggest headache.

For one thing, Congress is a little perplexed because the prospective beneficiary classes are not as hot as Mr. Truman thinks they are for the imagined benefits they might get from being covered. In particular the farmers and the self-employed are far from unanimous for coverage, and it just looks messy trying to cook up a scheme that will cover domestics.

What Congress is likely to do under the circumstances is very largely to expand coverage on an optional basis. Then those farmers and those self-employed or those employees of state and local governments or of charitable, nonprofit, etc., organizations who wanted to, could come into the contributory system.

Social security purists; that is, those who think the scheme is what it is represented to be, throw up their hands in horror about this. They say that under the voluntary approach the contributory plan would get only the poorest insurance risks and hence the thing would be most costly.

What the purists overlook is the fact that Congress in any case has shown no disposition to back away from the commitment it inferentially undertook in 1935 when it first enacted a so-called system of social security, to provide direct or indirect help for all those aged and in need. The assistance program is still bigger than the contributory program, and in both cases the general revenues ultimately will have to absorb the greatest share of the cost of social security until such time, if ever, as Congress squarely faces the problem of trying to pay for this vast commitment, and out of current revenues at the time.

* * *

In all this chatter about a health program is an excellent illustration of how, when a great deal is asked and only a "little" is given, the importance of that "little" is obscured.

There has been a great cry over the President's demand for enactment of a system of compulsory Federal, pre-paid medical insurance, and of course compulsory insurance will not get approved this year or probably next.

On the other hand, so many Senators have felt impelled to demonstrate their liberality and sympathy with the problem, that there is beyond doubt a majority which will vote for many other Federal health undertakings, such as more money for local hospitals, money to subsidize municipal health services, medical research, subsidies to medical schools, and perhaps even subsidies for voluntary or state-approved pre-paid medical schemes to provide payment for the poor.

Mr. Truman's proposal to have the Federal government undertake the burden of local relief has shocked the Congress, which is in no mood to approve it. The proposed Department of Public Welfare, rated as the project designed to repay Oscar Ewing, Federal Security Administrator, for his help to Mr. Truman during the 1948 campaign, is languishing. It is doubtful if Congress this year will make any changes in unemployment compensation for changes under consideration are pitched at submerging the independence of the state systems.

BUSINESS BUZZ

What has a chance of being enacted, however, in the way of "social security" will represent a vast monetary commitment. This outlook for social security legislation, however, is predicated upon the assumption that Congress will stay around long enough to consider it this year. There is now little doubt that Congress will need to prolong its session beyond July 31, or else come back for a special session, unless Congress just gets in a mood to tell the White House to go chuck its whole program in the river.

* * *

If the GOP 80th Congress in either 1947 or 1948 had decided to ditch this theoretical scheme of a "Legislative Budget" incorporated in the Legislative Reorganization Act of 1946, the Democratic majority would have hooted and howled and chided the Republicans with many unpleasant criticisms. In fear of these barbs, the GOP boys piously framed a Legislative Budget each Feb. 15, and promptly forgot it.

Now the Democrats have in fact ditched the Legislative Budget scheme, after delaying the reckoning up of the Legislative Budget to May 1, and the Republicans have avoided making the obvious criticisms to which the Democratic leadership have opened themselves.

The reason: The GOP sort of thought that discretion was the better part of immediate political advantage. About all this Legislative Budget scheme has in common with the word "budget," is a name. There are none of the other provisions of budgetary control incorporated. It became clear at once that this feature of the Congressional reorganization act, without far more fundamental alterations in Congressional procedure, was theoretical.

The Democratic leaders gave up the Legislative Budget this year because they are not yet prepared to cast the die on the question of whether or not to frame a tax bill this year.

Republicans are glad that the Democrats have dropped what they view as this unworkable scheme. Then if they succeed to control Congress, they likewise will skip the thing, and be safe from criticism.

* * *

There is a group within the Truman Administration which is demanding that the President send up a dramatic "one-package" legislative program to carry out the "bold new program" of the President's inaugural message. Nevertheless, the prospect is still, as reported previously in this column, for a gradual, unspectacular development of this program. There is another group in the Administration which is calling upon the White House to approve the idea of reaching firm international agreements protecting possible U. S. investments under this program, before any help is extended toward the development of backward areas.

* * *

It now seems that the report of the Council of Economic Advisers on tightening up the antitrust laws, may be delayed some considerable time. John D. Clark, a member of the CEA, promised Democratic members of the House Judiciary committee on March 23, that this report would be issued "in a matter of weeks." The Congressional boys who are hot for fighting monopoly, have found that Mr. Clark was a little optimistic on the delivery date for this report, which is far from ready to be bounced out.

* * *

The ways are all greased for approval by Congress of a bill to authorize national banks to deal in World Bank bonds, whenever Congress gets a few minutes to deal with it, according to Administration circles.

Under this bill, national banks could deal in World Bank bonds, the same as they can in municipals and Federal securities, but it is said that this is primarily for the purpose of accommodating their customers.

The bill does not, however, remove the limit on the eligibility of World Bank bonds for investment by national banks. They will still be limited to investing a sum not greater than the equivalent of 10% of their capital funds.

Under the bill the customary procedures for clearing with the Securities & Exchange Commission are waived. However, whenever the SEC and the National Advisory Council choose to, they can put a ban on World Bank bond issues tighter than under the existing SEC laws.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

A. C. Allyn Co. to Take Over Offices Of Bond & Goodwin

A. C. Allyn & Co., Inc., of Chicago and New York, will take over the offices of Bond & Goodwin, Incorporated, in Boston and Portland, Maine. The New York office of Bond & Goodwin, Inc., will be discontinued and William A. Smart, President, will retire.

Erwin Stugard, Theodore K. Ferry, Joseph T. McCaddon, Maurice A. Davis, Andrew R. Steven and Alfred G. Ernst, officers of Bond & Goodwin, will become associated with A. C. Allyn & Co., Inc.'s New York office, 40 Wall Street.